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Application Proof of

Zephyrm Bioscience Limited
澤輝生物科技有限公司

(the "**Company**")

(A company incorporated in the Cayman Islands with limited liability)

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ZEPHYRM
泽 辉 生 物

Zephyrm Bioscience Limited
澤輝生物科技有限公司

(A company incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED] under the [REDACTED]	**:**	**[REDACTED] [REDACTED] (subject to the [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] [REDACTED] (subject to reallocation)**
Number of [REDACTED]	**:**	**[REDACTED] [REDACTED] (subject to reallocation and the [REDACTED])**
Maximum [REDACTED]	**:**	**HK$[REDACTED] per [REDACTED] plus brokerage of 1%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565% (payable in full on [REDACTED] in Hong Kong dollars, subject to refund)**
Nominal value	**:**	**US$0.00005 per Share**
[REDACTED]	**:**	**[REDACTED]**

***Sole Sponsor,* [REDACTED],**
[REDACTED], [REDACTED] *and* [REDACTED]

CICC 中金公司

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The [REDACTED] and [REDACTED] may, with our consent, reduce the number of [REDACTED] being [REDACTED] under the [REDACTED] and/or the indicative [REDACTED] range below that stated in this document at any time on or prior to the morning of the last day for lodging applications under the [REDACTED]. See "Structure of the [REDACTED]" and "How to apply for [REDACTED]" for further details.

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Prior to making an **[REDACTED]** decision, prospective investors should consider carefully all of the information set out in this document, including the risk factors set out in "Risk Factors".

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IMPORTANT

[REDACTED]

IMPORTANT

[REDACTED]

EXPECTED TIMETABLE [(1)]

[REDACTED]

EXPECTED TIMETABLE [(1)]

[REDACTED]

EXPECTED TIMETABLE [(1)]

[REDACTED]

EXPECTED TIMETABLE [(1)]

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CONTENTS

SUMMARY

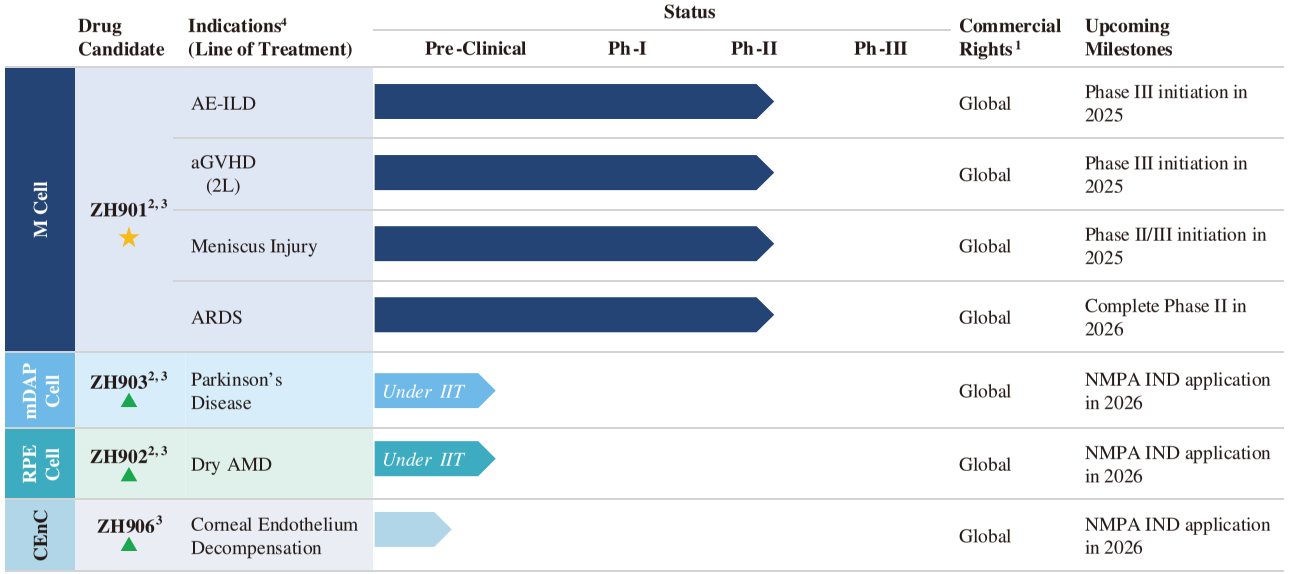
This summary aims to give you an overview of the information contained in this document and is qualified in its entirety by, and should be read in conjunction with, the more detailed information and financial information appearing elsewhere in this document. As this is a summary, it does not contain all the information that may be important to you and we urge you to read the entire document carefully before making your **[REDACTED]** *decision. There are risks associated with any* **[REDACTED]**. ***In particular, we are a biotechnology company seeking a*** **[REDACTED]** ***on the Main Board of the Stock Exchange under Chapter 18A of the Listing Rules on the basis that we are unable to meet the requirements under Rule 8.05 (1), (2) or (3) of the Listing Rules.*** *Some of the particular risks in* **[REDACTED]** *in the* **[REDACTED]** *are set out in the section headed "Risk Factors" in this document. You should read that section carefully before you decide to* **[REDACTED]** *in the* **[REDACTED]**.

OVERVIEW

We are a clinical-stage biopharmaceutical company dedicated to the development of innovative cell therapy products derived from pluripotent stem cells ("**PSCs**") for the treatment of a variety of medical conditions since our inception in 2017. As one of the early entrants in PSC-derived cell therapy in China and globally, we are the first company in China that has received investigational new drug ("**IND**") clearances for PSC-derived cell therapy products and the only company in China that has multiple PSC-derived cell therapy assets currently in Phase II clinical trials according to Frost & Sullivan. Our current product portfolio includes our Core Product ZH901 and our Key Products ZH903, ZH902 and ZH906. We have developed a PSC-derived cell therapy products development platform ("**PROF**"), which comprises three independent but integrated technology platforms, namely, Pluripotent Stem Cell Seed Platform ("**PROF-seed**"), Vital Functional Cell Development Platform ("**PROF-function**"), and Formulation Optimization Platform ("**PROF-formulator**"). Leveraging our proprietary and integrated technology platforms, we have developed a comprehensive and differentiated pipeline of four types of PSC-derived cell therapy products covering seven indications, including acute exacerbation of interstitial lung disease ("**AE-ILD**"), acute graft versus host disease ("**aGVHD**"), meniscus injuries, acute respiratory distress syndrome ("**ARDS**"), Parkinson's disease, dry age related macular degeneration ("**AMD**") and corneal endothelium decompensation. As of the Latest Practicable Date, our Core Product ZH901 has entered the Phase II clinical stage, being investigated for the treatment of AE-ILD, aGVHD, meniscus injuries and ARDS. ZH903 and ZH902, each a Key Product, are currently in investigator-initiated trials ("**IITs**") for treating Parkinson's disease and dry AMD, respectively. ZH906, our Key Product, is at pre-clinical stage for treating corneal endothelium decompensation.

THERE IS NO ASSURANCE THAT WE WILL ULTIMATELY BE ABLE TO DEVELOP AND MARKET OUR CORE PRODUCT OR ANY OF OUR PIPELINE PRODUCTS SUCCESSFULLY.

The pipeline chart below summarizes the development status of our clinical-stage drug candidate and selected pre-clinical assets.



Abbreviations: RPE = retinal pigment epithelial; mDAP = midbrain dopaminergic progenitor; CEnC = corneal endothelial cell; ARDS = acute respiratory distress syndrome; AE-ILD = acute exacerbation of interstitial lung disease; aGVHD = acute graft versus host disease; AMD = age related macular degeneration; IND = investigational new drug application; IIT = investigator-initiated clinical trial; Ph = phase; 2L = second-line.

Note:

1. We have sole rights to use two hESC lines (single-source stem cells, free from contamination by cells from other humans or animals) originated from Institute of Zoology of Chinese Academy of Sciences and Beijing Institute for Stem Cell and Regeneration (the "**Strategic Collaborators**"), which have been utilized for establishing our master cell bank and working cell bank in connection with our cell therapy products development and related production. For details of the license of the hESC lines pursuant to the collaboration agreements between the Strategic Collaborators and us, see "Business – Collaboration Agreements – Collaboration Arrangement With the Strategic Collaborators" in this document.

2. According to the collaboration agreements between the Strategic Collaborators and us, we hold sole licenses to the patent rights for the differentiation pathways of M cells, mDAP cells, and RPE cells from hESCs, which technologies have been utilized in certain aspects of our development of ZH901, ZH903 and ZH902. In addition, we hold the exclusive commercialization rights to the patent rights for the differentiation pathways of M cells, mDAP cells, and RPE cells derived from hESCs worldwide. For details, see "Business – Collaboration Agreements – Collaboration Arrangement With the Strategic Collaborators" in this document.

3. The product candidate is intended to be used as monotherapy.

4. Except for aGVHD, currently there are no guidelines with respect to the treatment line of these indications.

Source: Company data

BUSINESS MODEL

Our core business model involves internally developing and commercializing PSC-derived cell therapy products to address unmet medical needs. We also collaborate with third parties to support the development of our product candidates, including in-licensing certain technologies used in our in-house product development efforts. We have entered into and maintained a strategic collaboration with Institute of Zoology of Chinese Academy of Sciences ("**CAS**") ("中國科學院動物研究所") and Beijing Institute for Stem Cell and Regeneration ("北京幹細胞與再生醫學研究院") (collectively, the "**Strategic Collaborators**"), which provided two clinical-grade human embryonic stem cell ("**hESC**") lines and certain differentiation pathway technologies of M cells, midbrain dopaminergic progenitor ("**mDAP**") cells and retinal pigment epithelium ("**RPE**") cells. For details of the collaboration agreements between our Strategic Collaborators and us, see "Business – Collaboration Agreements" in this document.

OUR CORE PRODUCT ZH901

ZH901, our Core Product, is an M cell therapy product currently being investigated for the treatment of injuries and inflammatory and degenerative diseases, including AE-ILD, aGVHD, meniscus injuries and ARDS. M cells are hESC-derived functional cells, with no contamination from cells of other species or other types of human cells. The chromosomal karyotype is consistent with that of normal human chromosomes, showing no mutations, deletions, or translocations. M cells secrete cytokines with immunoregulatory functions to suppress inflammation, as well as growth factors that stimulate cell growth, thereby promoting healing of injured cells. Cell-cell contact enables M cells to exert immunoregulatory functions and promote cell viability. Pre-clinical studies showed that M cells can express high levels of anti-inflammatory factors, while also inhibit the secretion of pro-inflammatory factors. Moreover, M cells can promote endogenous cell regeneration after joint and lung tissue being injured. Furthermore, as a cell therapy product directly differentiated from a single hESC line, ZH901 can achieve scalable cultivation and consistent batch-to-batch quality. For more details of the mechanism of action of ZH901, see "Business – Our Pipeline Products – Core Product: ZH901 – Potential First-in-Kind hESC-Derived M Cell Therapy Product Candidate – Mechanism of Action" in this document.

The clinical development of ZH901 for each of these indications has advanced into Phase II in China. Our clinical studies have provided promising safety and efficacy data of ZH901 for each indication. As of the Latest Practicable Date, approximately 100 patients had received ZH901 treatment in multiple clinical trials either via intravenous infusion or intra-articular knee joint administration. None of them experienced any serious adverse events ("**SAEs**") caused by ZH901, and Grade 1 or 2 adverse events ("**AEs**") possibly related to ZH901 according to the investigator can be resolved without special medical intervention, indicating that ZH901 was well tolerated and had an encouraging safety profile. Multiple clinical studies have shown that ZH901 has significant potential as an effective treatment for AE-ILD, aGVHD, meniscus injuries, and ARDS. Data suggest that ZH901 can improve pulmonary ventilation function (FVC), aerobic capacity (6-MWT), exercise endurance (SGRQ score), and shortness of breath (SOBQ score) in patients with pulmonary fibrosis caused by COVID-19. It can also rapidly improve both short term indicators (such as fraction of inspiration oxygen and oxygenation index) and long-term efficacy markers (such as pulmonary diffusion function (DLCO)) in ARDS caused by COVID-19. These data suggest that ZH901 may potentially address AE-ILD and ARDS. Additionally, in patients with

aGVHD, we have observed an ORR of 77.78% in an ongoing Phase II trial as of the Latest Practicable Date. Furthermore, ZH901 has been observed to improve joint function and relieve pain in patients with meniscus injuries. For details of the competitive advantages of ZH901, see "Business – Our Pipeline Products – Core Product: ZH901 – Potential First-in-Kind hESC-Derived M Cell Therapy Product Candidate – Competitive Advantages" in this document.

As of the Latest Practicable Date, we have completed research on the formulation, as well as procedures for cell preservation and rapid cell-thawing of ZH901. As of the Latest Practicable Date, we had completed a Phase I clinical trial of ZH901 and were investigating it for four indications in Phase II clinical trials, including AE-ILD, aGVHD, meniscus injuries and ARDS.

KEY PRODUCTS

- **ZH903** is an mDAP cell therapy product under development for the treatment of Parkinson's disease. After being transplanted into the striatal area of the midbrain of patients with Parkinson's disease through brain stereotaxy, mDAP cells can survive and differentiate into mature dopaminergic neurons *in vivo*, secrete dopaminergic neurotransmitters, and significantly increase dopamine in the striatum area. For details of the mechanism of action of ZH903, see "Business – Our Pipeline Products – Key Product: ZH903 – hESC-Derived mDAP Cell Therapy Product Candidate – Mechanism of Action" in this document.

  Clinical studies of ZH903 are currently at the investigator-initiated trial ("**IIT**") stage. Our clinical studies as of date have provided encouraging safety and efficacy data. An ongoing IIT of ZH903 striatal transplantation in enrolled patients has shown a lack of severe adverse reactions, including bleeding or tumorigenesis, with most patients experiencing improvements in motor function, alleviation of non-motor symptoms, extension of on-time duration, and enhancements in sleep. For details of ZH903, see "Business – Our Pipeline Products – Key Product: ZH903 – hESC-Derived mDAP Cell Therapy Product Candidate" in this document.

- **ZH902** is a RPE cell therapy product under development for the treatment of dry AMD. When implanted into the subretinal space of patients, RPE cells can replace dysfunctional and lost RPE cells and potentially improve vision in the patients. According to *in vitro* studies, RPE cells can release neurotrophic factors to improve the function of dysfunctional photoreceptor cells.

  According to the results of an ongoing IIT, after a follow-up period of at least one year, certain patients experienced improvements in vision or an increase in retinal and choroidal thickness. Long-term survival of the transplanted cells was observed in all patients who received the transplantation. As of the Latest Practicable Date, ZH902 targeting dry AMD was under IITs. For details of ZH902, see "Business – Our Pipeline Products – Key Product: ZH902 – hESC-Derived RPE Cell Therapy Product Candidate" in this document.

- **ZH906** is a CEnC therapy product under development for the treatment of corneal endothelium decompensation. When patients received intracameral injection, injected CEnCs can replace dysfunctional and lost CEnCs, which can adhere to the posterior surface of the cornea, establishing intercellular connections and performing barrier and pump functions.

  As of the Latest Practicable Date, ZH906 targeting corneal endothelium decompensation was at the pre-clinical stage. In our studies conducted as of date, we have successfully obtained candidate CEnCs with high purity. Through *in vitro* studies, ZH906 has been identified to possess barrier function and ion pump function based on positive ZO-1 marker and positive ATPase marker, respectively. We have also tested the transplant therapeutic effect of ZH906 in an animal study, which indicated encouraging efficacy profile of this product candidate. For details of ZH906, see "Business – Our Pipeline Products – Key Product: ZH906 – hESC-Derived CEnC Therapy Product Candidate" in this document.

OUR PLATFORMS

Our commitment to innovation is evident and supported by our proprietary technology platforms, which include (i) PROF-seed, (ii) PROF-function, and (iii) PROF-formulator.

- ***PROF-seed.*** Building upon human PSCs' capability of unlimited proliferation, our PROF-seed platform provides the technological infrastructure for bulk production of human PSCs in a streamlined process, thereby ensuring adequate and stable supply of cell seeds for downstream functional cell development and formulation development and production. In particular, we obtained two hESC lines from the National Stem Cell Resource Center. Leveraging our propagation technology, we then established our master cell bank and working cell bank for downstream development and manufacturing of functional cells. The foregoing sourcing process not only ensures clear and traceable sources of hESC lines that comply with applicable human genetic resource management and ethical regulations but also lays the foundation for industrial-scale production of cell therapy products.

- ***PROF-function.*** Following an indication-oriented approach, we select candidate functional cells with therapeutic potential for treating the target indications based on the functional cells' respective biologic characteristics and mechanisms of action. We design PSC-derived cell therapy products tailored to the specific medical condition, leveraging our understanding of mechanisms of action of various functional cells such as modulating immune system, promoting cell growth or regeneration and replacing dysfunctional human cells. Building upon ESCs' ability to differentiate into all cell types in human body, and based on our understanding of development biology, we design directed differentiation pathways for PSCs into the selected functional cells with optimal potential for disease treatment. Upon selecting the targeting functional cell type, we select the most suitable pathway with high potential for standardized production and optimize it into a manufacturing process that is suitable for large-scale production.

- ***PROF-formulator.*** In order to produce off-the-shelf allogeneic cell therapy products readily injectable into patients, functional cells generated from successful differentiation require further processing and formulation. Leveraging our PROF-formulator platform, we design and adjust the components of excipients and functional cells based on the intended use, storage conditions, and route of administration for each type of functional cells, to develop product formulations specifically tailored for each type of functional cells so that the selected functional cells can transform into easy-to-use injectable therapeutic products that are suitable for convenient transportation, long-term storage, and immediate administration at hospitals upon physician prescription. We have also developed automatic temperature-controlled rate-freezing technologies to ensure the vitality of functional cells after thawing from vapor phase liquid nitrogen preservation. Leveraging PROF-formulator, we had developed formulations for off-the-shelf allogeneic cell therapy products derived from M cells, mDAP cells and RPE cells as of the Latest Practicable Date.

For details of the technology platforms, see "Business – Our Technology Platforms" in this document.

Besides research and development capabilities evident by our technology platforms, we have dedicated to building other key capabilities for drug development such as manufacturing and quality control. We have established our in-house Good Manufacturing Practice of Medical Product ("**GMP**")-compliant production processes that cover end-to-end cell therapy product manufacturing. We have launched a manufacturing facility in Beijing ("**Beijing Facility**") with a total Gross Floor Area ("**GFA**") of approximately 2,400 sq.m. and a manufacturing capacity of approximately 35,000 injectable cell therapy products per year, which can adequately support our clinical development and early commercialization. We also plan to establish a new manufacturing facility in Zhongshan, Guangdong Province, which is expected to increase our manufacturing capacity to approximately 500,000 injectable cell therapy products per year. Our in-house manufacturing capabilities feature a highly standardized production process and efficient quality control protocol to ensure industrial-scale production of therapeutic products with batch-to-batch consistency. The production process starts from obtaining and resuscitating PSCs from our working cell bank followed by subsequent differentiation and successive passages, formulation, packaging, and cryopreservation. In line with international quality control standards such as GMP and China National Accreditation Service for Conformity Assessment ("**CNAS**") and regulatory requirements of major markets, we have established an integrated quality control system featuring standard operating procedures ("**SOPs**") specifying procedures and requirements covering all stages of our cell therapy product development and production. Additionally, prior to the receipt of marketing approval of our product candidates, we plan to assemble a dedicated in-house sales and marketing force to support the initial product launch in China and collaborate with overseas local partners for international markets as part of our long-term localized commercialization strategies for global expansion.

The strength of our Company has been underpinned by our leadership and other team members since the establishment of our Company. We have assembled an experienced management team comprised of seasoned academic professionals and industry veterans that collectively cover every step of the cell therapy product discovery, development and manufacturing cycle. Led by our chief executive officer Dr. Yu Alex ZHANG, our senior management team brings extensive experience in research and development,

quality control, manufacturing and regulatory affairs from academia, governmental agencies and multinational pharmaceutical corporations to our Company. Members of our research and development team have cross-disciplinary expertise in a variety of fields, including chemistry, biology, pharmacology, toxicology, pharmacovigilance, regulatory affairs, translational and clinical research, and possess in-depth expertise in multiple cell therapy and disease areas. Our experienced leadership, top-tier research and development team and strong track record have enabled us to continue attracting and retaining highly talented professionals.

Building upon the progress we have made to date, we intend to rapidly advance the clinical development and commercialization of our lead product candidates. We have also dedicated resources in our research and development to expand our product portfolio with the goal of broadening indication coverage of existing product candidates and exploring other functional cells with promising therapeutic and commercial potentials. These efforts taken together will help further solidify our franchise as a leading cell therapy platform that impacts patients in China and globally with our innovative PSC-derived treatments for a broad range of medical conditions.

OUR STRENGTHS

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

- Leading PSC-derived therapeutic solution provider with potentially first-in-kind portfolio of "off-the-shelf" and "easy-to-use" cell therapy products addressing medical needs unmet by currently available treatment;
- China's first PSC-derived functional cell therapy product at Phase II clinical trials;
- Differentiated and comprehensive PSC-derived cell therapy product pipeline with continuous expansion into additional therapeutic products utilizing other functional cells;
- Proprietary and fully integrated technology platforms and underlying core technologies supporting the continuous development of cell therapy product pipeline;
- Integrated and streamlined production process and GMP-compliant manufacturing facilities with industrial-scale production capabilities and comprehensive quality control protocols;
- Experienced senior management team and strong shareholder support.

OUR STRATEGIES

We intend to capitalize on our competitive strengths by pursuing the following strategies:

- Rapidly advance the clinical development of ZH901, our M cell therapy product, as potentially first-in-kind PSC-derived cell therapy product;

- Expend indication coverage of M cell therapy product;
- Continue to explore therapeutic potentials of other functional cells in our existing pipeline;
- Follow an indication-oriented approach to explore therapeutic potentials of functional cells beyond our current pipeline;
- Build full-scale manufacturing and commercialization capabilities;
- Expand international footprints by advancing the clinical development of our product candidates in other jurisdictions and developing tailored commercialization strategies.

RESEARCH AND DEVELOPMENT

As of the Latest Practicable Date, we have established a dedicated in-house R&D team of over 60 members. More than 50% of the members of our R&D team hold a master's or doctoral degree. The functions of our integrated R&D team span the entire spectrum of cell banks establishment and maintenance, functional cell discovery, cell preparation process development, formulation and process development, analytic science and method development, and pre-clinical and clinical development in the cell therapy product R&D life cycle. All our core R&D team members have materially contributed to the R&D direction and strategy of our pipeline products, and have been with us throughout the Track Record Period and up to the Latest Practicable Date.

Our R&D team is led by Dr. Yu Alex ZHANG, our chief executive officer, who brings approximately 30 years of experience in scientific research, research and development of pharmaceutical products, and business strategies, operations and management. He is also an expert on the Standards Committee of the China Society of Cell Biology. Previously, Dr. Zhang held key positions such as the Head of China R&D at Sanofi, the chief scientific officer at the Asia-Pacific Hub of Sanofi, and a professor and director of the Cell Therapy Center of Xuanwu Hospital of the Capital Medical University (首都醫科大學宣武醫院). He also served as an expert to the 863 Program of "stem cell and tissue engineering" in the Eleventh Five-Year Plan ("十一五"計劃), the project leader of a 973 Program of "basics and clinical application of directed differentiation of stem cells" of the PRC Ministry of Science and Technology, and an expert committee of a National Key Technologies R&D Program of China. Dr. Zhang earned his Ph.D. from Northwestern University and conducted postdoctoral research at Stanford University.

Dr. JIA Yi, another key member of our R&D team, serves as our chief medical officer. With over 20 years of experience in clinical practice and the pharmaceutical industry, Dr. Jia brings a wealth of expertise to our organization. He spent nearly a decade as a surgeon at prestigious institutions, including Shanghai Huadong Hospital (上海華東醫院) and Peking Union Medical College Hospital (北京協和醫學院), where he contributed to multiple research projects in organ simulation and regenerative technologies. Transitioning to the biopharmaceutical sector, Dr. Jia served as research expert at leading companies like Bayer and Ferring China, and as a director at Allergan. He previously participated in or led a number of government-sponsored innovative drug research programs, including a key project of the PRC Ministry

of Science and Technology, one project of the CAS and one emergency project of the PRC Ministry of Science and Technology. Dr. Jia earned a master's degree in Surgical Science from Imperial College London and a Ph.D. in Plastic Surgery from Peking Union Medical College (北京協和醫學院).

Dr. ZHOU Liang, another key member of our R&D team, serves as our scientific advisor, who brings over 30 years of experience in pharmaceutical scientific research and regulatory science. Dr. Zhou's extensive background includes 22 years at the FDA, where he served as a senior reviewer and team leader at the CBER and the Office of Pharmaceutical Quality. Following his tenure at the FDA, he served as a vice president for pharmaceutical affair at Qilu Pharmaceuticals in China. He earned his Ph.D. in organic/bioorganic chemistry from Vanderbilt University.

Our core R&D team also includes Dr. LUO Yi, who serves as our chief technology officer and scientific advisor. Having served at renowned pharmaceutical companies including Vertex Pharmaceuticals and Teva, Dr. Luo brings over 20 years of experience in the biopharmaceutical field. His expertise lies particularly in pharmaceutical preparations, processes, and production following the approach of Quality by Design ("**QbD**"). Dr. Luo earned his Ph.D. from Wuhan University.

Our research and development expenses amounted to RMB66.3 million, RMB102.8 million, and RMB58.5 million in 2022, 2023 and the first six months ended June 30, 2024, respectively. During the Track Record Period, our research and development expenses primarily consisted of (i) share-based payment compensation; (ii) employee benefit expenses mainly relating to salaries, bonus and other welfare for our research and development personnel, (iii) depreciation and amortization expenses in relation to our research and development equipment and instruments as well as intangible assets which were used for research and development purpose; (iv) pre-clinical and clinical trial expenses for our drug candidates, primarily in relation to the engagement of CROs, PIs, and other service providers; (v) research material expenses in relation to raw materials consumed in the course of our research and development activities; (vi) indication research related fees in relation to our collaboration with the Strategic Collaborators; and (vii) other research and development expenses, mainly comprising traveling and transportation expenses of our research and development personnel and other miscellaneous expenses.

Our research and development expenses attributable to our Core Product were RMB64.5 million, RMB57.3 million, RMB28.2 million and RMB42.2 million in 2022 and 2023 and the first six months ended June 30, 2023 and 2024, respectively, accounting for 97.3%, 55.8%, 82.7% and 72.2% of our total research and development expenses, and 71.6%, 42.4%, 53.8% and 21.0% of our total operating expenses (i.e. research and development expenses and administrative expenses) in the respective period.

MANUFACTURING

We launched our Beijing Facility with a total GFA of approximately 2,380 sq.m. and an annual production capacity of approximately 35,000 injectable cell therapy products, which can adequately support our ongoing clinical development and early commercialization. We have established a streamlined production line for PSC-derived cell therapy products.

We are planning our manufacturing facility in Zhongshan, Guangdong Province ("**Zhongshan Facility**"), with a total GFA of approximately 150,000 sq.m. and an anticipated annual production capacity of approximately 500,000 injectable cell therapy products, to support commercial production. As of the Latest Practical Date, we were formulating the construction plans for the Zhongshan facility and anticipate to commence construction by the end of 2024. The construction of our Zhongshan Facility is scheduled to be completed in the second half of 2026 and trial operation will commence thereafter. The Zhongshan Facility will be officially put into commercial manufacturing by 2030.

See "Business – Manufacturing" in this document.

COMMERCIALIZATION

We expect to adopt a region-by-region marketing and sales strategy by considering each region's regulatory framework and market condition and in accordance to the expected launch timeline of our product candidates. In China, we intend to focus on Class III Grade A hospitals in tier one cities at first, and then with increasing production and sales of our products, gradually expand to Class III Grade A hospitals in second-tier cities across the country with characteristic departments related to the indications of our products and sufficient patient demand. As part of our global registration and marketing strategy, we will also build out our sales and marketing force to focus on other key markets such as the United States and Europe. In connection with our global expansion outside of China, we may consider collaborating with local partners to ensure access to all top-tier medical institutions in the target region. See "Business – Commercialization" in this document.

ADDRESSABLE MARKETS AND COMPETITIVE LANDSCAPE

AE-ILD

AE-ILD is characterized by the sudden onset of diffuse lung injury superimposed on the chronic pulmonary fibrotic changes of ILD, leading to acute exacerbation of respiratory dysfunction or respiratory failure, and even death. According to Frost & Sullivan, AE-ILD is a medical condition of high incidence without effective treatment. The global incidence of AE-ILD was 1,033.6 thousand and the incidence of AE-ILD in China was 354.9 thousand in 2023. Current treatments primarily focus on oxygen therapy. Medications such as corticosteroids, immunosuppressive agents and broad-spectrum antibiotics are also used, but they lack clear clinical benefits.

As of the Latest Practicable Date, ZH901 was the only stem cell-derived cell therapy product under clinical development for the treatment of AE-ILD globally. For details of AE-ILD, see "Industry Overview – Major Indications – AE-ILD" in this document.

aGVHD

GVHD is the most common life-threatening complication of allogeneic hematopoietic stem cell transplantation. The main clinical presentations are aGVHD and chronic GVHD. According to Frost & Sullivan, the global incidence of aGVHD was 51.0 thousand and the incidence of aGVHD in China was

8.6 thousand in 2023. The first-line treatment for aGVHD is glucocorticoids. However, the efficacy of glucocorticoids is less than 50%, with only one-third of effective patients experiencing sustained relief. Globally, ruxolitinib and allogeneic mesenchymal stromal cells ("**MSCs**") have been approved for the treatment of aGVHD. However, ruxolitinib's hematological toxicity often leads to treatment interruption. As of the Latest Practicable Date, there were no innovative biologics available in China for the treatment of aGVHD. Therefore, an urgent need exists for long-term unmet clinical demands in aGVHD.

As of the Latest Practicable Date, there were five stem cell-derived cell therapy product under clinical development for the treatment of aGVHD in China. Among them, ZH901 was the first and the only PSCs-derived cell therapy product under clinical development for the treatment of aGVHD in China. For details of aGVHD, see "Industry Overview – Major Indications – aGVHD" in this document.

Meniscus Injuries

Meniscus injuries are characterized by joint pain, swelling, and restricted knee joint mobility. According to Frost & Sullivan, the global prevalence of meniscus injury was 1,133.1 million and the prevalence of meniscus injury in China was 182.7 million in 2023. As of the Latest Practicable Date, there were no innovative drugs for meniscus injuries, and the conventional treatments offered in clinical practice only provide temporary symptom relief without halting disease progression. Therefore, there is an urgent medical need for innovative drugs that can promote meniscus injury repair.

As of the Latest Practicable Date, ZH901 was the first and the only stem cell-derived cell therapy product under clinical development for the treatment of meniscus injuries in China. For details of meniscus injury, see "Industry Overview – Major Indications – Meniscus Injuries" in this document.

ARDS

ARDS is a destructive disease characterized by acute, diffuse, inflammatory lung injury. ARDS onset is rapid, with a high mortality rate, necessitating intervention for all patients. According to Frost & Sullivan, the global incidence of ARDS was 3.6 million and the incidence of ARDS in China was 110.3 thousand in 2023. The current treatment approach primarily involves mechanical ventilation. Commonly used medications include corticosteroids, pulmonary surfactants, N-acetylcysteine, statins, and β-agonists. However, these treatments not only have limited efficacy but also may lead to fatal adverse events.

As of the Latest Practicable Date, there were five stem cell derived cell therapy products for ARDS under clinical development in China. Among them, ZH901 was the first and the only PSC-derived cell therapy product candidate and the most clinically advanced cell therapy product candidate for ARDS treatment in China. For details of ARDS, see "Industry Overview – Major Indications – ARDS" in this document.

INTELLECTUAL PROPERTY

As of the Latest Practicable Date, we had 25 registered trademarks and 1 domain name. As of the Latest Practicable Date, we owned 4 issued patents, in-licensed 2 issued patents and owned 11 patent applications. As of the Latest Practicable Date, for our Core Product, we owned 1 issued patent and 6 patent applications. During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any material proceedings in respect of, and we had not received written notice of any material claims of infringement of any intellectual property rights, in which we may be a claimant or a respondent. See "Business – Intellectual Property" and "Risk Factors – Risks Relating to Our Intellectual Property Rights" in this document.

SUPPLIERS

During the Track Record Period, our major suppliers primarily consisted of (i) suppliers of consumables and reagents for our drug development; and (ii) third-party contractors including contract research organizations ("**CROs**"). For the years ended December 31, 2022 and 2023, and the six months ended June 30, 2024, our purchases from our five largest suppliers in aggregate accounted for 57.6%, 52.3% and 44.6% of our total purchases, respectively, and purchases from our largest supplier alone accounted for 22.6%, 19.9% and 16.8% of our total purchases, respectively. To the best of knowledge of our Directors, all of our five largest suppliers during the Track Record Period are Independent Third Parties. See "Business – Suppliers and Raw Materials" in this document.

COLLABORATION AGREEMENTS

From May 2019 until September 2024, we entered into a series of collaboration agreements (collectively, the "**Collaboration Agreements**") with our Strategic Collaborators. Pursuant to the Collaboration Agreements, our Strategic Collaborators have agreed to grant us sole global rights to use two hESC lines for research, development, manufacturing, offering for sale and commercialization of stem cell-derived therapeutic products for all possible indications. Our Strategic Collaborators have also agreed to grant us sole rights with respect to patent rights controlled by the Strategic Collaborators for the differentiation pathways of M cells, mDPA cells and RPE cells for research, development, manufacturing, offering for sale and commercialization of stem cell-derived therapeutic products globally for all possible indications. In exchange for rights granted, we have agreed to make payments to our Collaboration Partners, including upfront payments, research payments, milestone payments and royalty payments. Unless terminated earlier in accordance with their terms, the Collaboration Agreements will remain in effect until all obligations are fully performed. For details, please refer to "Business – Collaboration Agreements."

SUMMARY OF KEY FINANCIAL INFORMATION

This summary of key financial information set forth below has been derived from, and should be read in conjunction with, our combined audited financial statements, including the accompanying notes, set forth in the Accountant's Report set out in Appendix I to this document, as well as the information set forth in the section headed "Financial Information."

Our Combined Statements of Profit or Loss and Other Comprehensive Income

The table below sets forth the components of our combined statements of profit or loss and other comprehensive income for the periods indicated:

	Year Ended December 31,		Six Months Ended June 30,	
	2022	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Administrative expenses	(23,791)	(32,306)	(18,374)	(143,077)
Research and development expenses	(66,311)	(102,756)	(34,138)	(58,515)
Other income, net	1,533	2,260	57	70
Other losses, net	(81,007)	(60,526)	(22,895)	(28,621)
Operating loss	**(169,576)**	**(193,328)**	**(75,350)**	**(230,143)**
Finance income	19	661	337	216
Finance costs	(3,207)	(3,350)	(1,314)	(6,658)
Finance costs, net	(3,188)	(2,689)	(977)	(6,442)
Loss before income tax	**(172,764)**	**(196,017)**	**(76,327)**	**(236,585)**
Income tax expenses	–	–	–	–
Loss for the year/period	**(172,764)**	**(196,017)**	**(76,327)**	**(236,585)**
Loss and total comprehensive loss for the year/period attributable to owners of the Company	**(172,764)**	**(196,017)**	**(76,327)**	**(236,585)**

We currently have no products approved for commercial sales and have not generated any revenue from product sales. We have not been profitable and have incurred operating losses during the Track Record Period. In 2022, 2023 and the six months ended June 30, 2023 and 2024, we incurred net losses of RMB172.8 million, RMB196.0 million, RMB76.3 million and RMB236.6 million, respectively. We recorded losses as a result of the significant research and development expenses and administrative expenses incurred during the Track Record Period. For more details, see "Financial Information – Description of Selected Items of Combined Statements of Profit or Loss and Other Comprehensive Income – Research and Development Expenses," "Financial Information – Description of Selected Items of Combined Statements of Profit or Loss and Other Comprehensive Income – Administrative Expenses" in this document.

Summary of Our Combined Statements of Financial Position

The following table sets forth selected items from our combined statements of financial position as of the dates indicated:

	As of December 31,		As of June 30,
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment	4,677	3,466	6,187
Right-of-use assets	4,950	25,796	87,131
Intangible assets	77,846	243,364	236,665
Other receivables, deposits and prepayments	782	2,144	5,539
	88,255	274,770	335,522
Current assets			
Inventories	3,383	2,483	1,894
Other receivables, deposits and prepayments	6,204	12,572	30,141
Cash and cash equivalents	18,808	166,742	78,264
	28,395	181,797	110,299
Total assets	**116,650**	**456,567**	**445,821**
EQUITY			
Combined capital	4,145	4,145	20,545
Other reserves	6,024	6,024	135,204
Accumulated losses	(378,804)	(574,821)	(811,406)
Deficit on total equity attributable to owners of the Company	**(368,635)**	**(564,652)**	**(655,657)**

	As of December 31,		As of June 30,
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
LIABILITIES			
Non-current liabilities			
Lease liabilities	1,702	19,701	20,727
Long-term payables	–	179,963	170,706
	1,702	199,664	191,433
Current liabilities			
Trade payables	12,179	5,241	13,013
Other payables and accruals	83,181	40,531	57,077
Deferred income	–	2,861	2,875
Lease liabilities	3,224	5,520	6,137
Borrowings	24,000	27,879	30,000
Financial instruments with preferred rights	339,453	739,523	800,943
Convertible loan	21,546	–	–
	483,583	821,555	910,045
Total liabilities	**485,285**	**1,021,219**	**1,101,478**
Deficit on total equity and liabilities	**116,650**	**456,567**	**445,821**

We had net current liabilities of RMB639.8 million as of December 31, 2023, compared to net current liabilities of RMB455.2 million as of December 31, 2022. The increase was primarily due to an increase of RMB400.1 million in financial instruments with preferred rights, partially offset by an increase of RMB147.9 million in cash and cash equivalents, mainly as a result of the completion of our financing activities in 2023.

We had net current liabilities of RMB799.7 million as of June 30, 2024, compared to net current liabilities of RMB639.8 million as of December 31, 2023. The increase was primarily due to (i) a decrease of RMB88.5 million in cash and cash equivalents mainly in relation to (a) our purchase of land use right in the first half of 2024, and (b) the advancement in the research and development activities of our Core Product; and (ii) an increase of RMB61.4 million in financial instruments with preferred rights.

Summary of Our Statements of Cash Flows

The following table provides information regarding our cash flows for the periods indicated:

	Year Ended December 31,		Six Months Ended June 30,	
	2022	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Cash outflows in operating activities before movements in working capital	(73,660)	(89,838)	(45,693)	(60,811)
Changes in working capital	14,774	(11,612)	(8,704)	11,856
Proceeds from government grants	–	5,016	5,016	–
Net cash used in operating activities	(58,886)	(96,434)	(49,381)	(48,955)
Net cash used in investing activities	(1,748)	(2,651)	(694)	(66,641)
Net cash generated from financing activities	73,284	247,019	93,743	27,118
Net increase/(decrease) in cash and cash equivalents	**12,650**	**147,934**	**43,668**	**(88,478)**
Cash and cash equivalents at beginning of the year/period	6,158	18,808	18,808	166,742
Cash and cash equivalents at end of the year/period	**18,808**	**166,742**	**62,476**	**78,264**

For the years ended December 31, 2022 and 2023 and the six months ended June 30, 2023 and 2024, we had net cash outflows in operating activities of RMB58.9 million, RMB96.4 million, RMB49.4 million and RMB49.0 million, respectively. Our net cash outflows in operating activities for the years ended December 31, 2022 and 2023 and the six months ended June 30, 2023 and 2024 was primarily attributable to our loss before tax, which was primarily because we incurred significant research and development expenses and administrative expenses as a result of the business expansion and the development of our pipeline products during the Track Record Period. For more details, see "Financial Information – Liquidity and Capital Resources – Operating Activities" in this document.

We monitor and maintain a level of cash and cash equivalents deemed adequate to finance our operations and mitigate the effects of fluctuations in cash flows. In view of our net operating cash outflows throughout the Track Record Period, we plan to improve such position by (i) rapidly advancing our pipeline products towards commercialization to generate revenue from product sales; (ii) adopting comprehensive measures to effectively control our costs and operating expenses, primarily including research and development expenses and administrative expenses; (iii) enhancing working capital management efficiency; and (iv) successfully launching the **[REDACTED]** to obtain the **[REDACTED]**.

Our Directors are of the opinion that, taking into account (i) the financial resources available to our Group, including cash and cash equivalents of RMB67.1 million as of August 31, 2024, available financing facilities and the estimated **[REDACTED]** from the **[REDACTED]**, (ii) our cash burn rate, we will have sufficient working capital to cover at least 125% of our costs, including research and development expenses, administrative expenses, finance costs and other expenses for at least the next twelve months from the date of this document.

Our cash burn rate refers to the average monthly (i) net cash used in operating activities, which primarily includes research and development activities (excluding indication research related fees in relation to our collaboration with the Strategic Collaborators, which is expected to be non-recurring expenses in the near future) and general business operations, (ii) capital expenditures and (iii) lease liabilities. Assuming an average cash burn rate going forward will be similar to the cash burn rate level for the year ended December 31, 2023, we estimate that our cash and cash equivalents as of August 31, 2024 will be able to maintain our financial viability for **[REDACTED]** months or, if we take into account **[REDACTED]**% of the estimated **[REDACTED]** from the **[REDACTED]** (based on the low-point of the **[REDACTED]** stated in this document), **[REDACTED]** months. We will continue to monitor our cash flows from operations closely and expect to raise our next round of financing, if needed, with a minimum buffer of 12 months.

KEY FINANCIAL RATIO

The table below sets forth our key financial ratio as of the dates indicated:

	As of December 31,		As of June 30,
	2022	2023	2024
	%	%	%
Current ratio[(1)]	5.9	22.1	12.1

Note:

(1) Current ratio represents current assets divided by current liabilities as of the same dates.

For details of our key financial ratio, see "Financial Information – Key Financial Ratios" in this document.

RISK FACTORS

We believe that there are certain risks involved in our operations, many of which are beyond our control. For details of these risks, see "Risk Factors" in this document. Some of the major risks we face include:

- Our business and financial prospects depend substantially on the success of our clinical stage and pre-clinical stage drug candidates. If we are unable to successfully complete their clinical development, obtain their regulatory approvals and achieve their commercialization, or if we experience significant delays in doing any of the foregoing, our business will be materially harmed.

- Clinical drug development involves a lengthy and expensive process with uncertain outcomes, and results of early clinical trials may not be predictive of future trial results.

- We face intense competition and our competitors may discover, develop or commercialize competing drugs faster or more successfully than we do, which may adversely affect our ability to successfully commercialize our drug candidates.

- The manufacturing process of our cell-based products is highly complex, and our business could be materially and adversely affected if we encounter problems in manufacturing our product candidates or fail to comply with regulatory requirements.

- We have limited experience in manufacturing pharmaceutical products on a large commercial scale, and our business could be materially and adversely affected if we encounter problems in the commercial manufacturing of our future drug products.

- If we are not able to obtain, or experience delays in obtaining required regulatory approvals, we will not be able to commercialize our product candidates, and our ability to generate revenue will be materially impaired.

- We have no experience in the commercialization of drugs. If we are unable to build, manage, expand and optimize an effective sales and distribution network for our drug candidates, either by ourselves or through third parties, we may not be able to successfully create or increase market awareness of our products or sell our products, which will materially affect our ability to generate product sales revenue.

- If we or our licensors are unable to obtain and maintain adequate patent and other intellectual property protection for our drug candidates throughout the selected markets in the world, or if the scope of such intellectual property rights obtained is not sufficiently broad or a compulsory license is issued, third parties could develop and commercialize drug candidates and technologies similar or identical to ours and compete directly against us, and our ability to successfully develop and commercialize any of our drug candidates or technologies would be materially and adversely affected.

- All material aspects of the research, development and commercialization of pharmaceutical products are heavily regulated. Any failure to comply with existing or future regulations and industry standards or any adverse actions by drug approval authorities against us could negatively impact our reputation and our business, financial condition, results of operations and prospects.

- We have incurred losses since inception. We expect to continue to incur losses for the foreseeable future and may not be able to generate sufficient revenue to achieve or maintain profitability.

PRE-[REDACTED] INVESTMENTS

Since the establishment of our Company, we have received several rounds of equity financing from our Pre-**[REDACTED]** Investors. Zhongke Chuangxing and Shaanxi Photon Strong-Chain, under the same control of CASSTAR Technology, are our Sophisticated Investors under paragraph 10 of Chapter 2.3 of the Guide. Each Sophisticated Investor has meaningful investment in the Company at least six months before the **[REDACTED]**, holding approximately **[REDACTED]**% and **[REDACTED]**% of the total issued Shares immediately following the completion of the **[REDACTED]**, assuming the **[REDACTED]** is not exercised, respectively. All existing Shareholders (including the Pre-**[REDACTED]** Investors) are subject to a lock-up period of 180 days following the **[REDACTED]**. For details, see "History, Reorganization and Corporate Structure – Pre-**[REDACTED]** Investments" in this document.

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the **[REDACTED]** (assuming that the **[REDACTED]** is not exercised), Xiangjing Phase II and Zephyrm Tongchuang Phase II Holding will respectively hold approximately **[REDACTED]**% and **[REDACTED]**% of the issued share capital of our Company. Xiangjing Phase II was owned as to approximately 99.9% and 0.1% by Jin Family and Xiangjing Phase I, respectively. Zephyrm Tongchuang Phase II Holding was owned as to approximately 99.9% and 0.1% by Sure Trade and Zephyrm Tongchuang Phase I Holding, respectively. Each of Xiangjing Phase I, Zephyrm Tongchuang Phase I Holding, Jin Family and Sure Trade was wholly-owned/ultimately controlled by Ms. Jin. Accordingly, Ms. Jin, Xiangjing Phase I, Xiangjing Phase II, Zephyrm Tongchuang Phase I Holding, Zephyrm Tongchuang Phase II Holding, Jin Family and Sure Trade will be considered as our Controlling Shareholders immediately following the **[REDACTED]** under the Listing Rules. For details, see "Relationship with Our Controlling Shareholders" in this document.

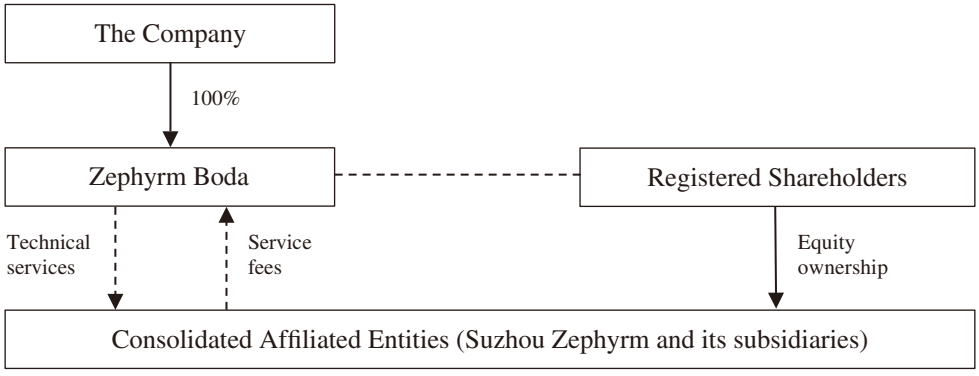
CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions which would constitute non-exempt continuing connected transactions under Chapter 14A of the Listing Rules after the **[REDACTED]**. Further particulars about such transactions together with the application for a waiver from strict compliance with the relevant requirements under Chapter 14A of the Listing Rules are set out in "Connected Transactions" in this document.

CONTRACTUAL ARRANGEMENTS

Due to foreign investment restrictions and prohibitions in the PRC, we entered into the Contractual Arrangements pursuant to which Zephyrm Boda has acquired effective control over the Consolidated Affiliated Entities. The Contractual Arrangements allow the results of operations and assets and liabilities of the Consolidated Affiliated Entities to be consolidated into our results of operations and assets and liabilities as if they were our subsidiaries. The transactions contemplated under the Contractual Arrangements will constitute continuing connected transactions of our Company under the Listing Rules upon **[REDACTED]**. For details, see "Contractual Arrangements" and "Connected Transactions" in this document.

The following diagram illustrates the Contractual Arrangements:



Notes:

(1) "——→" denotes direct legal and beneficial ownership in the equity interest.

(2) "- - - - - →" denotes contractual relationship. Under the Contractual Arrangements, the Zephyrm Boda shall provide technical services to the Consolidated Affiliated Entities, and the Consolidated Affiliated Entities shall pay service fees to the Zephyrm Boda directly.

(3) "- - - - - -" denotes the control by Zephyrm Boda over the registered shareholders through (i) voting proxy arrangement to exercise all shareholders' rights in Suzhou Zephyrm, (ii) exclusive options to acquire all or part of the equity interests in Suzhou Zephyrm and (iii) equity pledges over the equity interests in Suzhou Zephyrm.

[REDACTED]

[REDACTED]

DIVIDENDS

During the Track Record Period, we have not declared or paid any dividends. As advised by our Cayman Islands legal advisor, under Cayman Islands law, a position of accumulated losses and net liabilities does not necessarily restrict our Company from declaring and paying dividends to our Shareholders. Our Company may declare and pay a dividend out of either our profit or our share premium account, provided this would not result in our Company being unable to pay its debts as they fall due in the ordinary course of business. As we are a holding company incorporated under the laws of the Cayman Islands, the payment and amount of any future dividends will also depend on the availability of dividends received from our subsidiaries, including the ones in the PRC. According to PRC law and regulations, we may not pay dividends unless we have distributable profits in a given year as determined under generally accepted accounting principles in mainland China ("**PRC GAAP**") or International Financial Reporting Standards ("**IFRS**"). PRC laws also require enterprises incorporated in PRC to set aside at least 10% of their after-tax profits, if any, to fund certain statutory reserves, until the statutory reserves reach and remain at or above 50% of the relevant PRC entity's registered capital, which are not available for distribution as cash dividends.

We may distribute dividends in the future by way of cash or by other means that we consider appropriate. Any dividends we pay will be determined at the absolute discretion of our Board, taking into account factors including our actual and expected results of operations, cash flow and financial position, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, and other factors that our Board deems to be appropriate. Currently, we have not implemented policies to fix the dividend distribution ratio.

[REDACTED] FOR [REDACTED] ON THE STOCK EXCHANGE

We have applied to the **[REDACTED]** of the Stock Exchange for the granting of **[REDACTED]** of, and permission to **[REDACTED]** in, our Shares in issue prior to the **[REDACTED]** and to be issued pursuant to the **[REDACTED]** (including Shares which may be issued pursuant to the exercise of the **[REDACTED]**).

[REDACTED] STATISTICS

	Based on the [REDACTED] of HK$[REDACTED] per Share	**Based on the [REDACTED] of HK$[REDACTED] per Share**
Market capitalization of our Shares	HK$**[REDACTED]** million	HK$**[REDACTED]** million
Unaudited **[REDACTED]** adjusted combined net tangible assets per Share	HK$**[REDACTED]**	HK$**[REDACTED]**

Notes:

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

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

(3) The unaudited **[REDACTED]** adjusted combined net tangible assets per Share is calculated after making the adjustments referred to in Appendix II and on the basis that **[REDACTED]** Shares are in issue, assuming the **[REDACTED]** had been completed on June 30, 2024, without taking into account any shares which may fall to be issued upon the exercise of the **[REDACTED]**.

USE OF [REDACTED]

We estimate that we will receive **[REDACTED]** from the **[REDACTED]** of approximately HK$**[REDACTED]**, after deducting **[REDACTED]**, fees and other estimated expenses paid and payable by us in connection with the **[REDACTED]**, assuming the **[REDACTED]** being not exercised and an **[REDACTED]** of HK$**[REDACTED]** per Share (being the mid-point of the indicative **[REDACTED]** range stated in this document).We intend to use the **[REDACTED]** from the **[REDACTED]** for the following purposes:

- **[REDACTED]**%, or approximately HK$**[REDACTED]**, will be used to fund the research, development and registration of our Core Product ZH901;
- **[REDACTED]**%, or approximately HK$**[REDACTED]**, will be used to fund the research and development of our products other than ZH901;
- **[REDACTED]**%, or approximately HK$**[REDACTED]**, will be used to fund the construction of our Zhongshan Facility and the establishment of commercialization capability; and
- **[REDACTED]**%, or approximately HK$**[REDACTED]**, will be used for working capital and other general corporate purposes.

For details, see "Future Plans and Use of **[REDACTED]**" in this document.

[REDACTED] EXPENSES

Our **[REDACTED]** expenses mainly include **[REDACTED]** fees and **[REDACTED]** and professional fees paid to legal advisers and the Reporting Accountant for their services rendered in relation to the **[REDACTED]** and the **[REDACTED]**. Assuming full payment of the discretionary incentive fee, the estimated total **[REDACTED]** (based on the mid-point of our indicative price range for the **[REDACTED]** and assuming that the **[REDACTED]** is not exercised) for the **[REDACTED]** are approximately RMB**[REDACTED]**, comprising of (i) **[REDACTED]**-related expenses, including **[REDACTED]** and other expenses, of RMB**[REDACTED]**; and (ii) non-**[REDACTED]**-related expenses

of RMB**[REDACTED]**, including (a) fee paid and payable to Legal Advisors and Reporting Accountant of RMB**[REDACTED]**; and (b) other fees and expenses, including sponsor fees, of RMB**[REDACTED]**. We recorded **[REDACTED]** expenses of RMB**[REDACTED]** recognized in profit or loss for the six months ended June 30, 2024. The rest of the expenses in connection with the **[REDACTED]** is expected to be RMB**[REDACTED]**, of which an estimated amount of RMB**[REDACTED]** is expected to be recognized as administrative expenses and the remaining amount of RMB**[REDACTED]** is expected to be recognized directly as a deduction from equity upon the **[REDACTED]**.

IMPACT OF THE COVID-19

During the Track Record Period and up to the Latest Practicable Date, we had not experienced material disruptions in our operations as a result of the COVID-19 pandemic. The overall impact of the COVID-19 pandemic on our research and development activities, drug development timeline, relationships with collaborators, business and results of operations has been immaterial, and especially as the COVID-19 pandemic has come under control as of the Latest Practicable Date and our Directors are of the view that it is unlikely that COVID-19 pandemic will have material adverse impact on our business going forward.

RECENT DEVELOPMENTS

As we further our pre-clinical research and development efforts, continue to support the clinical trials of our product candidates and conduct further clinical trials to expand indications for our product candidates and to assess them as potential earlier lines of treatment options, we expect our research and development expenses and administrative expenses to continue to increase for the year ending December 31, 2024. As we have no product approved for commercial sale and therefore have not generated any revenue, we expect to incur operating losses in the year ending December 31, 2024.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this document, there has been no material adverse change in our financial, operational or trading position or prospects since June 30, 2024 (being the date on which the latest combined financial information of our Group was prepared) and up to the date of this document and there is no event since June 30, 2024 which would materially affect the information shown in our combined financial statements included in the Accountant's Report in Appendix I to this document.

In this document, unless the context otherwise requires, the following terms shall have the following meanings. Certain technical terms are explained in "Glossary of technical terms".

"2024 RSU Plan"	the RSU plan adopted by our Company on September 29, 2024 the principal terms of which are set out in "Appendix V – Statutory and General Information – D. 2024 RSU Plan" to this document
"AAALAC International"	the Pacific Accreditation Council of Association for Assessment and Accreditation of Laboratory Animal Care International
"Accountant's Report"	the accountant's report which contains audited consolidated financial information of our Company for the Track Record Period, as set out in Appendix I to this document
"affiliate(s)"	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"	Accounting and Financial Reporting Council of Hong Kong
"Articles" or "Articles of Association"	the articles of association of our Company conditionally adopted on [•] with effect from the **[REDACTED]**
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Beijing Facility"	our manufacturing facility in Beijing, see "Business – Manufacturing – Manufacturing Facilities – Beijing Facility" in this document
"Beijing Zephyrm"	Beijing Zephyrm Biotechnology Limited (北京澤輝辰星生物科技有限公司), a limited liability company established under the laws of PRC, being a Consolidated Affiliated Entity of our Company
"Board"	the board of Directors
"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
"BVI"	the British Virgin Islands
"CAS"	Chinese Academy of Sciences (中國科學院)

"Cayman Companies Act"	the Companies Act (As Revised) of the Cayman Islands, Cap. 22 (Law 3 of 1961), as amended or supplemented or otherwise modified from time to time
	[REDACTED]
"China" or "the PRC"	the People's Republic of China, and for the purposes of this document only, except where the context requires otherwise, references to China or the PRC exclude Hong Kong, the Macao Special Administrative Region of the People's Republic of China and Taiwan Province of China
"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" or "our Company", "we", "us" or "Our"	Zephyrm Bioscience Limited (澤輝生物科技有限公司), a company incorporated in the Cayman Islands with limited liability on September 15, 2021
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"Consolidated Affiliated Entity(ies)"	entity(ies) we control wholly or partly through the Contractual Arrangements, namely Suzhou Zephyrm and its subsidiaries
"Contractual Arrangement(s)"	the series of contractual arrangements entered into between, among others, Zephyrm Boda, Suzhou Zephyrm and the Registered Shareholders, as detailed in "Contractual Arrangements" in this document, and as amended, restated, renewed, reproduced or joined from time to time

"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules, and unless the context otherwise requires, collectively refers to, Ms. Jin, Xiangjing Phase I Holding Limited, Zephyrm Tongchuang Phase I Holding Limited, Xiangjing Phase II Holding Limited, Zephyrm Tongchuang Phase II Holing Limited, JIN FAMILY LIMITED and SURE TRADE INTERNATIONAL LIMITED as detailed in "Relationship With Our Controlling Shareholders" in this document
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
	[REDACTED]
"Director(s)"	the director(s) of our Company
"Dr. Zhang"	Dr. Yu Alex ZHANG, an executive Director, chairman of the Board and chief executive officer of our Company
"ESG"	Environmental, Social, and Governance
"Extreme Conditions"	the occurrence of "extreme conditions" as announced by any government authority of Hong Kong due to serious disruption of public transport services, extensive flooding, major landslides, large-scale power outage or any other adverse conditions before Typhoon Signal No. 8 or above is replaced with Typhoon Signal No. 3 or below;
"FDA"	Food and Drug Administration
	[REDACTED]
"GFA"	Gross Floor Area
	[REDACTED]

"Governmental Authority"	any governmental, regulatory, or administrative commission, board, body, authority, or agency, or any stock exchange, self-regulatory organization, or other non-governmental regulatory authority, or any court, judicial body, tribunal, or arbitrator, in each case whether national, central, federal, provincial, state, regional, municipal, local, domestic, foreign, or supranational
"Group", "our Group", "we", "us", or "our"	our Company, our subsidiaries and the Consolidated Affiliated Entities from time to time, and where the context requires, in respect of the prior to our Company becoming the holding company of our present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
"Guangdong Zephyrm"	Guangdong Zephyrm Biotechnology Limited (廣東澤輝辰星生物醫藥有限公司), a limited liability company established under the laws of PRC, being a Consolidated Affiliated Entity of our Company
"Guide"	the Guide for New Listing Applicants published by the Stock Exchange, as amended, supplemented or otherwise modified from time to time
"HK" or "Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China

[REDACTED]

"HK$", "HK dollars" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRS"	Hong Kong Financial Reporting Standard

[REDACTED]

[REDACTED]

"Hong Kong Takeovers Code" or "Takeovers Code"	Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC

[REDACTED]

[REDACTED]

"Hong Kong Zephyrm"	ZEPHYRM BIOSCIENCE (HONG KONG) LIMITED, a limited liability company established under the laws of Hong Kong, being the wholly-owned subsidiary of our Company
"IFRS"	IFRS Accounting Standards, as issued by the International Accounting Standards Board
"Independent Third Party(ies)"	any person(s) or entity(ies) who/which is not a connected person of our Company within the meaning of the Listing Rules

[REDACTED]

"Latest Practicable Date"	September 21, 2024, being the latest practicable date for the purpose of ascertaining certain information in this document prior to its publication

[REDACTED]

"Listing Committee"	the Listing Committee of the Stock Exchange
	[REDACTED]
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
"Memorandum" or "Memorandum of Association"	the memorandum of association of our Company conditionally adopted on [•], with effect from the **[REDACTED]**
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"Ms. Jin"	Ms. JIN Yun (金韵), one of our Controlling Shareholders, mother of Dr. Zhang
"NMPA"	the National Medical Products Administration of China (國家藥品監督管理局) or, where the context so requires, its predecessor, the CFDA
"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)
"NRDL"	China's National Drug Catalog for Basic Medical Insurance, Work-related Injury Insurance, and Maternity Insurance (《國家基本醫療保險、工傷保險和生育保險U藥品目錄》)
	[REDACTED]

[REDACTED]

"PRC GAAP"	generally accepted accounting principles in mainland China
"PRC Legal Adviser"	Jingtian & Gongcheng, our legal adviser as to PRC laws
"Preferred Share(s)"	the Series Angel Preferred Shares, Series A Preferred Shares, Series B Preferred Shares, Series B+ Preferred Shares and Series B++ Preferred Shares, which will be automatically converted into the Ordinary Shares with the par value of US$0.00005 each upon completion of the **[REDACTED]**. For details, see "History, Reorganization and Corporation Structure"
"Pre-[REDACTED] Investment(s)"	the investment(s) in our Company undertaken by the Pre-**[REDACTED]** Investors prior to the **[REDACTED]**. For details, see "History, Reorganization and Corporate Structure – Pre-**[REDACTED]** Investments" in this document
"Pre-[REDACTED] Investor(s)"	the investors in our Group prior to the **[REDACTED]**. For details, see "History, Reorganization and Corporate Structure – Information about our Pre-**[REDACTED]** Investors" in this document

[REDACTED]

"QIB"	a qualified institutional buyer within the meaning of Rule 144A
"Registered Shareholders"	the registered shareholders of Suzhou Zephyrm

"Regulation S"	Regulation S under the U.S. Securities Act
"Reorganization"	the corporate restructuring of the Group in preparation for the **[REDACTED]**. For details, see "History, Reorganization and Corporate Structure – Reorganization" in this document
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	the State Administration for Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAMR"	the 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"	the State Taxation Administration of the PRC (中華人民共和國國家税務總局)
"Securities and Futures Commission" or "SFC"	the Securities and Futures Commission of Hong Kong
"Series A Preferred Shares"	the preferred shares of our Company allotted and issued to Beijing Guoke Dingzhi Equity Investment Centre (Limited Partnership) (北京國科鼎智股權投資中心(有限合夥)), Yingshi Shengwu Holding Limited, Shaanxi Photon Strong-Chain Innovative Venture Capital Investment Partnership (Limited Partnership) (陝西光子強鏈創新創業投資合夥企業(有限合夥)), Gongqingcheng Ruiji Phase III Investment Partnership (Limited Partnership) (共青城瑞吉三期投資合夥企業(有限合夥)), Shaanxi Junying Chengzhang Industry Development Fund Partnership (Limited Partnership) (陝西君盈成長產業發展基金合夥企業(有限合夥)), Yuanqing Bencao Investment Ltd., Zhenze Chuxin Holding Limited and Jiaxing Woyu Investment Partnership (Limited Partnership) (嘉興沃禹投資合夥企業(有限合夥))
"Series Angel Preferred Shares"	the preferred shares of our Company allotted and issued to Xian Yingshi Holding Limited, Zhongke Chuangxing Hard Technology Venture Capital Partnership (Limited Partnership) (北京中科創星硬科技創業投資合夥企業(有限合夥)), Haoyang Shengwu Holding Limited and Zhonghe Tiancheng Holding Limited

"Series B Preferred Shares"	the preferred shares of our Company allotted and issued to Shanghai Xirong Entrepreneur Management Center (Limited Partnership) (上海熹榮企業管理中心(有限合夥)), Yingsheng Fukun Holding Limited and Yingshi Phase II Holding Limited
"Series B+ Preferred Shares"	the preferred shares of our Company allotted and issued to Shanghai Xirong Entrepreneur Management Center (Limited Partnership) (上海熹榮企業管理中心(有限合夥)), Guangdong Yueke Great Health Venture Capital Center on The West Bank of The Pearl River (Limited Partnership) (廣東粵科珠江西岸大健康創業投資中心(有限合夥)), Zhongshan Jintou Venture Capital Fund Partnership (Limited Partnership) (中山金投創業投資發展基金(有限合夥)), Zhongshan Jianze Equity Investment Partnership (Limited Partnership) (中山健澤股權投資企業(有限合夥)), Beijing Huairou Science City Technology Service Co., Ltd. (北京懷柔科學城科技服務有限公司), Gongqingcheng Zhongquan Holding Limited and Zhongshan Torch Huaying No.1 Venture Capital Fund Partnership (Limited Partnership) (中山火炬華盈一號創業投資基金合夥企業(有限合夥))
"Series B++ Preferred Shares"	the preferred shares of our Company allotted and issued to Shaanxi Photon Strong-Chain Innovative Venture Capital Investment Partnership (Limited Partnership) (陝西光子強鏈創新創業投資合夥企業(有限合夥)) and Beijing Xietai Holding Limited
"SFO" or "Securities and Futures Ordinance"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)" or "Ordinary Share(s)"	ordinary share(s) in the capital of our Company with a nominal value of US$0.00005 each
"Shareholder(s)"	holder(s) of our Share(s)

[REDACTED]

"Sole Sponsor"	the sole sponsor of the **[REDACTED]** as named in "Directors and Parties Involved in the **[REDACTED]**"

[REDACTED]

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Strategic Collaborators"	Institute of Zoology of Chinese Academy of Sciences ("中國科學院動物研究所") and Beijing Institute for Stem Cell and Regeneration ("北京幹細胞與再生醫學研究院")
"subsidiary(ies)"	has the meaning ascribed to it in section 15 of the Companies Ordinance
"substantial shareholder(s)"	has the meaning ascribed to it in the Listing Rules
"Suzhou Zephyrm"	Suzhou Zephyrm Biotechnology Limited (蘇州澤輝生物科技有限公司), a limited liability company established under the laws of PRC, being a Consolidated Affiliated Entity of our Company
"Takeovers Code"	the Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Track Record Period"	the years ended December 31, 2022 and 2023 and the six months ended June 30, 2024
"U.S.", "US" or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. dollars", "US dollars" or "US$"	United States dollars, the lawful currency of the United States
"USPTO"	United States Patent and Trademark Office
"U.S. SEC"	the Securities and Exchange Commission of the United States
"U.S. Securities Act"	United States Securities Act of 1933 and the rules and regulations promulgated thereunder

[REDACTED]

"VAT"	value-added tax

"Yanqi Zephyrm"	Yanqi Zephyrm Biotechnology Limited (北京澤輝雁棲生物科技有限公司), a limited liability company established under the laws of PRC, being a Consolidated Affiliated Entity of our Company
"Zephyrm Boda"	Beijing Zephyrm Boda Biotechnology Limited (北京澤輝博達生物科技有限公司), a limited liability company established under the laws of PRC, being a wholly-owned subsidiary of Hong Kong Zephyrm
"Zephyrm BVI"	ZEPHYRM BIOSCIENCE (BVI) LIMITED, a limited liability company established under the laws of BVI, being a wholly-owned subsidiary of our Company
"Zephyrm Tiancheng"	Shanghai Zephyrm Tiancheng Biotechnology Limited (上海澤輝天成生物科技有限公司), a limited liability company established under the laws of PRC, being a wholly-owned subsidiary of Hong Kong Zephyrm
"Zhongshan Facility"	our manufacturing facilities in Zhongshan, Guangdong Province, see "Business – Manufacturing – Manufacturing Facilities – Zhongshan Facility" in this document
"%"	per cent

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 Group 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.

"6-MWT"	six-minute walk test
"AE" or "adverse event"	any untoward medical occurrences in a patient or clinical investigation subject who has been administered with a drug or other pharmaceutical product during clinical trials and which do not necessarily have a causal relationship with the treatment
"AE-ILD"	acute exacerbation of interstitial lung disease
"aGVHD"	acute graft versus host disease
"AKS"	American Knee Society
"allo-HSCT"	allogeneic hematopoietic stem cell transplantation
"AMD"	age related macular degeneration
"ARDS"	acute respiratory distress syndrome
"ASC"	adult stem cell
"ATMP"	advanced therapy medicinal products
"BLA"	biologics license application
"BLM"	bleomycin
"CAGR"	compound annual growth rate
"CBER"	Center for Biologics Evaluation and Research, the institution within the U.S. FDA that regulates biological products for human use under applicable federal laws
"CDE"	Center for Drug Evaluation, NMPA (國家藥品監督管理局藥品審評中心), an institution under the NMPA
"CEnC"	corneal endothelial cell
"(c)GMP"	(current) good manufacturing practices

GLOSSARY OF TECHNICAL TERMS

"CMC"	chemistry, manufacturing, and controls processes in the development, licensure, manufacturing, and ongoing marketing of pharmaceutical products
"CNAS"	China National Accreditation Service for Conformity Assessment (中國合格評定國家認可委員會)
"CR"	complete response, the disappearance of all signs of disease in response to treatment
"CRO(s)"	contract research organization(s), a company provides support to the pharmaceutical, biotechnology, and medical device industries in the form of research and development services outsourced on a contract basis
"cytokine"	a broad and loose category of small proteins that are important in cell signaling whose release has an effect on the behavior of cells around them
"DA"	dopaminergic
"DAB"	diaminobenzidine
"DLCO"	the process of gas exchange across the alveolar-capillary membrane from high to low partial pressure between the alveoli and pulmonary capillaries
"DLT"	dose-limiting toxicity, a specified quantity of a therapeutic agent, such as a drug or medicine, prescribed to be taken at one time or at stated intervals
"EMA"	European Medicines Agency
"ESC"	embryonic stem cell
"*ex vivo*"	outside of the living body
"FiO_2"	the fraction of inspired oxygen, the concentration of oxygen in the gas mixture
"first-line"	with respect to any disease, the first-line therapy, which is the treatment regimen or regimens that are generally accepted by the medical establishment for initial treatment of a given type and stage of disease

GLOSSARY OF TECHNICAL TERMS

"FVC"	forced vital capacity, a pulmonary function measurement that represents the total amount of air a person can forcibly exhale from their lungs after taking the deepest breath possible
"GCP"	Good Clinical Practice for Drug Trials (《藥物臨床試驗質量管理規範》)
"HE"	Hematoxylin and Eosin
"hESC"	human embryonic stem cell
"HRCT"	high-resolution computed tomography, an imaging procedure which is used to get detailed pictures of the inside of lungs
"ICU"	Intensive Care Unit
"IDO"	indoleamine 2,3-dioxygenase, an enzyme that catalyzes degradation of the essential amino acid tryptophan in many types of cells
"IFN-γ"	a cytokine with important roles in tissue homeostasis, immune and inflammatory responses and tumor immunosurveillance
"IIT" or "investigator-initiated trial"	clinical trial sponsored and conducted by independent investigators or organizations
"ILD"	interstitial lung disease
"*in vitro*"	studies which are performed with microorganisms, cells, or biological molecules outside their normal biological context
"*in vivo*"	studies in which the effects of various biological entities are tested on whole, living organisms or cells, usually animals, including humans, and plants, as opposed to a tissue extract or dead organism
"IND"	investigational new drug or investigational new drug application, also known as clinical trial application submitted to the NMPA in the PRC
"iPSC"	induced pluripotent stem cell
"lymphocytes"	a sub-type of white blood cells, such as T cells, B cells and NK cells

GLOSSARY OF TECHNICAL TERMS

"MAO"	monoamine oxidase
"M Cell"	hESC-derived functional cells, uncontaminated by other species or human cell types, with a normal human chromosomal karyotype free of mutations, deletions, or translocations, and surface molecular markers meeting International Society for Cellular Therapy ("**ISCT**") standards for mesenchymal stem cell phenotypes
"mDAP"	midbrain dopaminergic progenitor
"MPTP"	1-methyl-4-phenyl-1,2,3,6-tetrahydropyridine
"MRI"	magnetic resonance imaging, a medical imaging technique that uses a magnetic field and computer-generated radio waves to create detailed images of the organs and tissues in human body
"MSC"	mesenchymal stromal cell
"NK"	natural killer cell, the human body's first-line of defense due to their innate ability to rapidly seek and destroy abnormal cells
"OCT"	Optical Coherence Tomography
"ORR"	objective response rate
"OS"	overall survival
"PaO_2"	partial pressure of oxygen, the partial pressure of oxygen in the alveoli
"Parkinson's disease"	a brain disorder that causes unintended or uncontrollable movements, such as shaking, stiffness, and difficulty with balance and coordination.
"PCT"	Patent Cooperation Treaty
"PD" or "pharmacodynamics"	pharmacodynamics, the study of how a drug affects an organism, which, together with pharmacokinetics, influences dosing, benefit, and adverse effects of the drug
"PEDF"	pigment epithelium-derived factor, a potent and broadly acting neurotrophic factor that protects neurons in many regions of the central nervous system against insults such as glutamate excitotoxicity and oxidative damage

"PGE2"	prostaglandin E2, a principal mediator of inflammation in diseases such as rheumatoid arthritis and osteoarthritis
"Phase I clinical trial"	a study in which a drug is administered to a limited patient population to identity possible adverse effects and safety risks, to preliminarily evaluate the efficacy of the drug for specific targeted disease, and to determine dosage tolerance and optimal dosage
"Phase II clinical trial"	the final controlled trial or study to demonstrate clinical efficacy and safety evidence required before submission for drug marketing approval
"Phase III clinical trial"	study in which a drug is administered to an expanded patient population generally at geographically dispersed clinical trial sites, in well-controlled clinical trials to generate enough data to statistically evaluate the efficacy and safety of the product for approval, to provide adequate information for the labeling of the product
"PK" or "pharmacokinetics"	pharmacokinetics, the study of the bodily absorption, distribution, metabolism, and excretion of drugs, which, together with pharmacodynamics, influences dosing, benefit, and adverse effects of the drug
"pre-clinical studies"	studies testing a drug on non-human subjects, to gather efficacy, toxicity, pharmacokinetics and safety information and to decide whether the drug is ready for clinical trials
"PROF"	a PSC-derived cell therapy product development platform developed by Company, which comprises three independent but integrated technology platforms, namely, Pluripotent Stem Cell Seed Platform (PROF-seed), Vital Functional Cell Development Platform (PROF-function), and Formulation Optimization Platform (PROF-formulator)
"PI" or "principal investigator"	the individual responsible for the conduct of a clinical study at a site
"PSC"	pluripotent stem cells
"QbD"	Quality by Design, a concept that is intended to improve drug product quality by using analytical and risk-management methodologies

GLOSSARY OF TECHNICAL TERMS

"refractory"	disease that is resistant at the beginning of treatment or becomes resistant during treatment
"registrational trial"	large confirmatory studies meant to establish an acceptable benefit/safety profile in order to gain regulatory approval for a precisely defined indication
"RPE"	retinal pigment epithelial
"SAE"	serious adverse event
"second-line"	with respect to any disease, the therapy or therapies that are tried when the first-line (initial) treatments do not show adequate efficacy
"SGRQ"	St George's Respiratory Questionnaire
"SOBQ"	Shortness of Breath Questionnaire
"SOP"	standard operating procedure
"T cell"	a lymphocyte of a type produced or processed by the thymus gland and actively participating in the immune response, which plays a central role in cell-mediated immunity. T cells can be distinguished from other lymphocytes, such as B cells and NK cells, by the presence of a T cell receptor on the cell surface
"TEAE"	treatment-emergent adverse event, an event that emerges during treatment, having been absent pretreatment, or worsens relative to the pretreatment state
"TH"	tyrosine hydroxylase, a tetrahydrobiopterin-requiring, iron-containing monooxygenase
"TNF"	tumor necrosis factor, a classical, pleiotropic pro-inflammatory cytokine
"toxicity"	the degree to which a substance or a mixture of substances can harm humans or animals
"treatment-related adverse event"	undesirable events not present prior to medical treatment or an already present event that worsens in intensity or frequency following the treatment

GLOSSARY OF TECHNICAL TERMS

"type 1 T helper cells" or "Th1 cells"	a subset of T helper cells which produce IFN-γ and play an important role in intracellular defense against microorganisms
"type 2 T helper cells" or "Th2 cells"	a subset of T helper cells which produce interleukin (IL)-4, IL-5, and IL-13 and are responsible for allergic reactions and for responses to parasitic infections
"VAS"	visual analog scale, a tool for the measurement of pain
"WOMAC"	Western Ontario and McMaster Universities Osteoarthritis Index, a measure of symptoms and physical disability originally developed for people with osteoarthritis of the hip and/or knee

FORWARD-LOOKING STATEMENTS

Certain statements in this document are forward-looking statements that are, by their nature, subject to significant risks and uncertainties. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions, future events, or performance (often, but not always, through the use of words or phrases such as 'will', 'expect', 'anticipate', 'estimate', 'believe', 'going forward', 'ought to', 'may', 'seek', 'should', 'intend', 'plan', 'projection', 'could', 'vision', 'goals', 'aim', 'aspire', 'objective', 'target', 'schedules', and 'outlook') are not historical facts, are forward-looking and may involve estimates and assumptions and are subject to risks (including but not limited to the risk factors detailed in this document), uncertainties and other factors some of which are beyond our Company's control and which are difficult to predict. Accordingly, these factors could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

Our forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to us about the businesses that we operate. The risks, uncertainties and other factors, many of which are beyond our control, that could influence actual results include, but are not limited to:

- our operations and business prospects;
- our business and operating strategies and our ability to implement such strategies;
- our ability to develop and manage our operations and business;
- our ability to complete the development and obtain the relevant requisite regulatory approvals of our product candidates;
- our ability to commercialize our approved products in a timely manner;
- our expectations with respect to our ability to acquire and maintain regulatory licenses or permits;
- our ability to control costs and expenses;
- our ability to identify and satisfy user demands and preferences;
- our ability to maintain good relationships with business partners;
- the actions and developments of our competitors;
- changes to regulatory and operating conditions in the industry and geographical markets in which we operate;
- relevant government policies, legislations and regulations relating to our business and industry, as well as interpretation and positions adopted by, and actions taken by, the relevant regulatory agencies; and

- all other risks and uncertainties described in "Risk Factors".

Since actual results or outcomes could differ materially from those expressed in any forward-looking statements, we strongly caution investors against placing undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by the Listing Rules, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. Statements of, or references to, our intentions or those of any of our Directors are made as of the date of this document. Any such intentions may change in light of future developments.

All forward-looking statements in this document are expressly qualified by reference to this cautionary statement.

An **[REDACTED]** *in our Shares 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 Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition and results of operations. In any such case, the* **[REDACTED]** *of our Shares could decline, and you may lose substantial or all of your* **[REDACTED]**.

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in the section headed "Forward-looking Statements".

RISKS RELATING TO RESEARCH AND DEVELOPMENT OF OUR DRUG CANDIDATES

Our business and financial prospects depend substantially on the success of our clinical stage and pre-clinical stage drug candidates. If we are unable to successfully complete their clinical development, obtain their regulatory approvals and achieve their commercialization, or if we experience significant delays in doing any of the foregoing, our business will be materially harmed.

Our revenue and profitability are substantially dependent on our ability to complete the development of our drug candidates, obtain requisite regulatory approvals and successfully manufacture and commercialize our drug candidates. As of the Latest Practicable Date, none of our drug candidates have been approved for marketing. We have invested a significant portion of our efforts and capital resources in the development of our drug candidates, and we expect to incur substantial and increasing expenditures for the development and commercialization of our drug candidates in the future.

We cannot guarantee that we will be able to obtain regulatory approvals for our drug candidates in a timely manner, or at all. The success of our drug candidates will depend on several factors, including but not limited to:

- completion of pre-clinical studies as well as completion of clinical trials, including successful enrollment of patients;
- favorable safety and efficacy data from our clinical trials and other studies;
- receipt of regulatory allowances or approvals from applicable regulatory authorities for planned clinical trials;
- establishing sufficient commercial manufacturing capabilities;
- the performance by CROs, PIs or other third parties we may retain to conduct clinical trials and pre-clinical studies of their duties to us in a manner that complies with our protocols and applicable laws without damaging or compromising the integrity of the resulting data;

- obtaining, maintaining, and enforcing patent, trademark, trade secret, and other intellectual property protection and regulatory exclusivity for our drug candidates;

- ensuring we do not infringe, misappropriate or otherwise violate the patents, trademarks, trade secrets or other intellectual property rights of third parties, and successfully defend against any claims by third parties that we have infringed, misappropriated or otherwise violated any intellectual property of any such third party;

- successfully launching commercial sales of our drug candidates, if and when approved;

- obtaining and maintaining favorable reimbursement from third-party payors for drugs, if and when approved;

- successfully competing with other drug candidates and drugs; and

- continued acceptable safety profiles of our drug candidates following regulatory approvals.

If we do not achieve one or more of these in a timely manner or at all, we could experience significant delays or difficulties in obtaining approvals for and commercializing our drug candidates, which would materially harm our business and may prevent us from generating sufficient revenues and cash flows to continue our operations.

We may not be able to identify, discover or develop new drug candidates, or to identify additional therapeutic opportunities for our drug candidates, to expand or maintain our product pipeline.

Although we expect to focus a substantial amount of our efforts on the continued clinical testing, potential approval, and commercialization of our existing drug candidates, the success of our business depends in part upon our ability to identify, discover, develop or commercialize additional drug candidates, or to identify additional therapeutic opportunities for our existing drug candidates.

Research programs to identify new drug candidates and to develop our drug candidates for additional indications require substantial technical, financial and human resources. Our research programs may initially show promising results in identifying potential indications and/or drug candidates, yet fail to yield results for clinical development for a number of reasons, including but not limited to the following factors:

- our research or business development methodology or search criteria and process may be unsuccessful in identifying potential indications and/or new drug candidates; and

- our potential drug candidates may, after further study, be shown to have harmful side effects or may have other characteristics that may make the drug candidates unlikely to achieve desired efficacy, unmarketable or unlikely to receive marketing approval;

Accordingly, there can be no assurance that we will be able to identify new drug candidates or additional therapeutic opportunities for our existing drug candidates or to develop suitable potential drug candidates through internal research programs. We may invest efforts and resources in potential drug candidates or indication expansions that ultimately prove to be unsuccessful. Any of the foregoing events will have a material adverse effect on our business, results of operations and prospects.

We invest substantial resources in research and development in order to develop, enhance or adapt to new technologies and methodologies, which may not be successful attempts.

The global pharmaceutical industry is constantly evolving and in order to maintain our competitive position, we need to keep up with new technologies and methodologies. For example, we have made significant efforts to develop our core technologies, which allow us to continuously develop a strong pipeline of drug candidates. For the year ended December 31, 2022 and 2023 and the six months ended June 30, 2024, our research and development expenses were RMB66.3 million, RMB102.8 million and RMB58.5 million, respectively. We must continue to allocate significant amounts of human and capital resources to develop or acquire technologies that will enable us to improve the breadth and caliber of our clinical trials. We intend to continue to enhance our technical capabilities in drug discovery, development and manufacturing, which are capital and time-intensive. We cannot assure you that we will be able to develop, enhance or adapt to new technologies and methodologies, successfully identify new technological opportunities, obtain sufficient or any patent or other intellectual property protection for such new technologies and methodologies, or obtain the necessary regulatory approvals in a timely and cost-effective manner. Any failure to do so may render our previous efforts obsolete, which could significantly reduce the competitiveness of our technologies and drug candidates, and harm our business and prospects.

Clinical drug development involves a lengthy and expensive process with uncertain outcomes, and results of early clinical trials may not be predictive of future trial results.

As of the Latest Practicable Date, some of our drug candidates were under pre-clinical stage. Commencement of a clinical trial is subject to finalizing trial design based on ongoing discussions with the NMPA, the FDA or other regulatory authorities. We cannot assure you as to when the clinical trials for our drug candidates at the pre-clinical stage will begin.

As of the Latest Practicable Date, our Core Product was under clinical trials. However, the successful completion of clinical trials is an essential requirement to obtain NDA or similar approvals from the NMPA, the FDA, or other comparable regulatory authorities for each of our drug candidates and, ultimately, the commercialization of our drug candidates. Clinical trials, however, lead to incurrence of expenses, are challenging to plan and carry out, and can take years to finish with no guarantee of success. Failure can occur at any time or stage during the clinical development process, which would result in a material and adverse effect on our business, financial condition and results of operations.

We may experience numerous unexpected events during, or as a result of, clinical trials that could delay or prevent our ability to receive regulatory approvals for the development and commercialization of our drug candidates, including but not limited to situations whereby:

- regulators may not authorize us or our investigators to commence a clinical trial or conduct a clinical trial at a prospective trial site;

- the patient enrollment may be insufficient or slower than we anticipate or patients may drop out or fail to return for post-treatment follow-up at a higher rate than anticipated, or the number of patients required for clinical trials of our drug candidates may be larger than we anticipate;

- we may not be able to reach agreements on acceptable terms with prospective third-party contractors and they may fail to comply with regulatory requirements or meet their contractual obligations to us in a timely manner, or at all;

- we may have to suspend or terminate clinical trials of our drug candidates for various reasons, including non-compliance with regulatory requirements, a finding of a lack of meaningful clinical responses, a finding that participants are being exposed to unacceptable health and safety risks or other unexpected characteristics;

- the costs of clinical trials of our drug candidates may be substantially higher than anticipated; and

- we may encounter various manufacturing issues, including inability to ensure that the supply and quality of our drug candidates and other materials necessary to conduct clinical trials of our drug candidates is sufficient and adequate.

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

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

- obtain approval for proposed indications that are not as broad as intended;

- have the drug removed from the market after obtaining regulatory approval;

- be subject to additional post-marketing testing requirements;

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

- be unable to obtain reimbursement for use of the drug.

Delays in clinical trials or obtaining regulatory approvals may result in increases in our drug development costs. We cannot assure you whether any clinical trials will begin as planned, be completed on schedule, or at all. Significant delays in clinical trials could also shorten any periods during which we

have the right to commercialize our drug candidates or allow our competitors to bring drugs to market before we do, which could impair our ability to commercialize our drug candidates and may have an adverse effect on our business and results of operations.

If clinical trials of our product candidates fail to demonstrate safety and efficacy 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 product candidates.

Before obtaining regulatory approvals from the NMPA, the FDA or other comparable regulatory authorities for marketing our product candidates in the respective jurisdictions, we must conduct extensive nonclinical studies and clinical trials to demonstrate the safety and efficacy of our product candidates in humans for the proposed indications. We cannot predict accurately when or whether any of our product candidates will prove effective or safe in humans and will receive regulatory approval. Clinical trials are expensive and difficult to design and implement, can take many years to complete and are uncertain as to outcome. A failure of one or more clinical trials can occur at any stage of clinical development.

To the extent that the results of our clinical trials fail to demonstrate safety and efficacy to the satisfaction of the NMPA, the FDA or other regulatory authorities, the commercialization of our product candidates may be significantly delayed, or we may be required to expend significant additional resources, which may not be available to us, to conduct additional clinical trials in support of potential approval of our product candidates. The occurrence of any of the foregoing could have a material adverse effect on our business, results of operations and financial condition.

If we encounter difficulties in enrolling patients 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 patients in the clinical trials. We may fail or experience significant delays to initiate or continue clinical trials for our drug candidates if we are unable to locate and enroll a sufficient number of eligible patients to participate in these trials as required by the NMPA, the FDA, or similar regulatory authorities. Even if we are able to enroll a sufficient number of patients in our clinical trials, delays in patient enrollment may result in increased costs or may affect the timing or outcome of the planned clinical trials.

Patient enrollment for our clinical trials may be affected by many factors. For example, some of our competitors have ongoing clinical trials for drug candidates that treat the same indications as our drug candidates, and patients who would otherwise be eligible for our clinical trials may instead enroll in the clinical trials of our competitors' drug candidates. Other factors include:

- severity of the disease under investigation;
- total size and nature of the relevant patient population;

- design and eligibility criteria for the clinical trial in question;
- perceived risks and benefits of the drug candidate under study;
- our resources to facilitate timely enrollment in clinical trials;
- the ability to obtain and maintain informed consents;
- the risk that enrolled patients will not complete a clinical trial;
- clinicians' and patients' perceptions as to the potential advantages and risks of the drug candidate being studied compared to other available therapies, including any new products that may be approved for the indications we are investigating as well as any candidates under development;
- patient referral practices of physicians;
- our investigators' or clinical trial sites' efforts to screen and recruit eligible patients;
- proximity and availability of clinical trial sites for prospective patients; and
- epidemics.

Failure to enroll a sufficient number of patients in our clinical trials on a timely manner could prevent completion of our trials and adversely affect our ability to advance the development of our drug candidates.

We face intense competition and our competitors may discover, develop or commercialize competing drugs faster or more successfully than we do, which may adversely affect our ability to successfully commercialize our drug candidates.

The pharmaceutical industries are subject to fierce competition and rapid and significant technological advancements. We face competition with respect to our current drug candidates from existing products and product candidates under development in the entire pharmaceutical market, in addition to approved therapy options, such as surgeries, and we will face competition with respect to any drug candidates that we may seek to develop or commercialize in the future. We are developing our drug candidates in competition with a number of competitors that have commercialized, are in the process of commercialization, or are pursuing the development of drugs for the same target indications as ours. Some of these competitive drugs and therapies are based on scientific approaches that are the same as or similar to our approach, and others are based on entirely different approaches. Potential competitors include pharmaceutical companies and public and private research institutions that conduct research, seek patent protection, and establish collaborative arrangements for research, development, manufacturing, and commercialization.

Even if successfully developed and subsequently approved by the NMPA, the FDA or other comparable regulatory authorities, our drug candidates may still face competition in various aspects, including safety and efficacy, the timing and scope of the regulatory approvals, the availability and cost of supply, sales and marketing capabilities, price and patent status. Many of our competitors against which we are competing or against which we may compete may have substantially greater financial, technical and human resources and expertise in research and development, manufacturing, pre-clinical testing, conducting clinical trials, obtaining regulatory approvals and marketing approved drugs than we do. Smaller or early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large, established companies. Additional mergers and acquisitions in the biotechnology and pharmaceutical industries may result in even more resources being concentrated in our competitors. These third parties compete with us in recruiting and retaining qualified scientific and management personnel, establishing clinical trial sites and patient registration for clinical trials, as well as in acquiring technologies complementary to, or necessary for, our programs. Our competitors may succeed in developing competing drugs and obtaining regulatory approvals before us or achieve better acceptance in the markets in which we operate or have established a competitive position. If any of our competitors obtains regulatory approvals for drugs that may compete with our drug candidates, we may lose our first-mover advantage and result in negative performance on our financial performance.

Adverse events or undesirable side effects caused by our drug candidates could interrupt, delay or halt clinical trials, or delay or prevent regulatory approval.

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

We may allocate our limited resources to pursuing particular drug candidates or indications and fail to capitalize on other drug candidates or indications that may later prove to be more profitable, or for which there is a greater likelihood of success.

As we have limited financial and managerial resources, we focus our product pipeline on research programs and drug candidates that we identify for specific indications. As a result, we may forgo or delay pursuit of opportunities with other drug candidates or for other indications that may later prove to have greater commercial potential or a greater likelihood of success. Our spending on current and future research and development programs and drug candidates for specific indications may not yield any commercially viable products. If we do not accurately evaluate the commercial potential or target market for a particular drug candidate, we may relinquish valuable rights to that drug candidate through

collaboration, licensing or other royalty arrangements in cases in which it would have been more advantageous for us to retain development and commercialization rights to such drug candidate, or we may allocate internal resources to a drug candidate in a therapeutic area in which it would have been more advantageous to enter into a partnering arrangement.

Our pre-clinical programs may experience delays or may never advance to clinical trials, which would adversely affect our ability to obtain regulatory approvals or commercialize these product candidates on a timely basis or at all, which would have an adverse effect on our business.

Some of our product candidates are still in the pre-clinical development stage, and the risk of failure of pre-clinical programs is high. Before we can commence clinical trials for a product candidate, we must complete extensive pre-clinical studies on safety and efficacy of product candidates to obtain regulatory clearance to initiate clinical trials on humans. We cannot be certain of whether we will be able to timely complete our pre-clinical studies or generate results that are adequate to support the initiation of subsequent clinical trials. There is also no assurance that the NMPA, the FDA or other comparable regulatory authorities will accept our proposed protocols for clinical programs. As a result, we cannot be sure that we will be able to submit IND applications or similar applications for our pre-clinical programs on the timelines we expect, or at all, and we cannot be sure that submission of IND applications or similar applications will result in the NMPA, the FDA or other regulatory authorities allowing us to commence the contemplated clinical trials.

If we are unable to obtain approval from the NMPA, the FDA or other comparable regulatory authorities for our drug candidates to be eligible for an expedited registration pathway as innovative or breakthrough therapy, the time and cost we incur to obtain regulatory approvals may increase.

The NMPA, the FDA and the comparable regulatory authorities in other jurisdictions may have implemented expedited review programs for drug candidates, among others, which are innovative drug applications, or which treat a serious or life-threatening condition and provide meaningful therapeutic benefit over available therapies. The NMPA's Breakthrough Therapy Designation, for example, is intended to facilitate and expedite the development and review of an investigational drug to treat a serious disease or condition when preliminary clinical evidence indicates that the drug has demonstrated substantial improvement over current therapies. Similarly, the FDA may facilitate the development and expedite the review of pharmaceutical products that are intended for the treatment of a serious or life-threatening condition for which there is no effective treatment and which demonstrate the potential to address medical need for the condition.

We plan to apply for expedited review programs for certain of our product candidates, such as ZH906. There can be no assurance, however, that the regulatory authorities will consider granting expedited review programs for our product candidates. Any failure to obtain accelerated approvals or any other form of expedited development, review or approvals for our product candidates could result in a longer period of time prior to the commercialization of such drug candidate, an increase in the development expenses for such product candidate and an adverse impact on our competitive position in the market.

RISKS RELATING TO MANUFACTURING OF OUR DRUG CANDIDATES

The manufacturing process of our cell-based products is highly complex, and our business could be materially and adversely affected if we encounter problems in manufacturing our product candidates or fail to comply with regulatory requirements.

The process of manufacturing our cell-based products is highly complex. For example, cell-based products involve the culture and manipulation of living cells. The manufacturing process itself may require optimization and scale-up efforts. Once cells have reached the desired growth stage, they will be harvested and processed to isolate the therapeutic components, which often involves multiple purification steps to remove impurities and ensure product quality and safety. Cell culture and bioprocessing techniques can be resource-intensive, contributing to higher cost of products. As a result of the complexities, the manufacturing process is less reliable and is more difficult to maintain consistency compared to the manufacturing process of traditional small molecule chemical compounds, antibodies or recombinant protein drugs. Our manufacturing process will be susceptible to product loss or failure, or product variation that may adversely impact our product development and business operations. During the Track Record Period, we had not experienced any material issue in connection with our manufacturing of our product candidates to support studies and clinical trials. However, we cannot assure you there will not be any error during the manufacturing processes. Moreover, if microbial, viral, or other contaminations are discovered in our product candidates or in the manufacturing facilities in which our product candidates are made, such manufacturing facilities may need to be closed for an extended period of time to investigate and remedy the contamination.

We may also encounter product variations in the manufacturing process, which may adversely impact patient outcomes. Such variations may be caused by a variety of reasons, such as contamination, equipment or reagent failure, improper installation or operation of equipment, supplier or operator error, inconsistency in cell growth, and variability in product characteristics. Even minor deviations from normal manufacturing processes could result in reduced production yields, product defects, and other supply disruptions, which in turn may have material adverse impact on our business operations.

In addition, the manufacturing process for any product candidates that we may develop is subject to regulatory approvals from the NMPA, the FDA or other comparable regulatory authorities. We will need to satisfy all applicable regulatory requirements on an ongoing basis. If we are unable to reliably manufacture product candidates that meet specifications acceptable to the NMPA, the FDA or other regulatory authorities, we may be forced to delay clinical trials, conduct bridging clinical trials or repeat one or more clinical trials, which might significantly increase costs in connection with clinical trials and materially delay regulatory approval of our product candidates. In addition, even if we obtain regulatory approval for any of our product candidates, there is no assurance that we will be able to manufacture the approved product to meet the specifications acceptable to the NMPA, the FDA or other regulatory authorities, to produce it in sufficient quantities to meet the requirements for the potential launch of the product, or to meet potential future demand. Any such challenges may hinder or prevent our commercialization efforts, increase our costs of goods and have an adverse effect on our business, financial condition, results of operations and growth prospects.

We have limited experience in manufacturing pharmaceutical products on a large commercial scale, and our business could be materially and adversely affected if we encounter problems in the commercial manufacturing of our future drug products.

We have limited experience in manufacturing pharmaceutical products on a commercial scale, which is a complex process requiring significant expertise and capital investment, in part due to strict regulatory requirements. The problems that may arise from the manufacturing process include but are not limited to:

- equipment malfunction;
- failure to follow specific protocols and procedures;
- changes in product specification;
- low quality or insufficient supply of raw materials;
- delays in the construction of new manufacturing facilities or the expansion of our existing manufacturing facility;
- changes in manufacturing production sites and limits to manufacturing capacity due to regulatory requirements;
- changes in the types of products produced;
- advances in manufacturing techniques;
- physical limitations that could inhibit continuous supply; and
- man-made or natural disasters and other environmental factors.

If problems arise during the production process of certain future products, a batch or several related batches of such product may have to be discarded and cause production delays, cost increases, lost revenue, damage to customer relationships, time and expense spent investigating the cause and, depending on the cause, similar losses with respect to other batches or products. If problems are not discovered before the products are released to the market, recall and product liability costs may also be incurred.

In addition, the quality of our drugs manufactured by us for commercial use in the future, depends significantly on the effectiveness of our quality control and quality assurance, which in turn depend on factors such as the production processes used in manufacturing facility, the quality and reliability of equipment used, the quality of the operating staff and related training programs and our ability to ensure that our staff adhere to our quality control and quality assurance procedures. We cannot assure you that our quality control and quality assurance procedures will be effective in consistently preventing and resolving deviations from our quality standards or that our SOPs will be complete or updated at all times.

Any significant failure or deterioration of our quality control and quality assurance procedures could render our products unsuitable for use, or not in compliance with the relevant requirements of the cGMP and/or harm our market reputation and relationships with business partners. Any such developments may have a material adverse effect on our business, financial condition and results of operations.

We rely on certain reagents, specialized equipment, and other specialty materials to manufacture our drug candidates. Such supplies may not be available to us on acceptable terms or at all, and an increase in the market prices of such supplies may adversely affect our results of operations.

During the Track Record Period, we had not encountered material supply difficulties with respect to reagents, equipment or other materials necessary for our manufacturing of drug candidates. However, as we continue to develop and scale our manufacturing process and capacity, there is no assurance that we will be able to, at all times, procure the reagents, equipment and other specialty materials we need in adequate amount or on commercially reasonable terms, in a timely manner or at all. We might in the future encounter temporary difficulties in sourcing key raw materials as a result of natural disasters, acts of war, epidemics or other factors beyond our control, which could have a material impact on our business operations. For details of the relevant risks, see "– Risks Relating to Our Operations – We may be subject to natural disasters, acts of war or terrorism, epidemics or other factors beyond our control" in this section. Moreover, we may not be able to continue to source product from any of our current suppliers due to other reasons, such as regulatory actions or requirements affecting the supplier, adverse financial or other strategic developments experienced by certain supplier(s), labor disputes or shortages, unexpected demands, or quality issues. Failure to obtain sufficient supply of these reagents, equipment, and other specialty materials could adversely affect our ability to satisfy demand for our drug candidates, which could adversely and materially affect our development process, future commercialization efforts and operating results.

Furthermore, fluctuations in price of supplies required by our manufacturing processes may directly and adversely impact on our gross margins. The prices of supplies we use in manufacturing our drug candidates may be affected by a number of factors, including market supply and demand, the regulatory requirements, natural disasters such as fires, outbreak of epidemics or diseases, and the PRC and global economic conditions. A significant increase in the costs of supplies may directly and negatively affect our profit margins and, ultimately, our business, financial conditions, results of operation and prospects.

Failure to obtain and maintain regulatory approvals for our manufacturing facilities may affect our business and results of operations.

Our existing and future manufacturing facilities will be subject to ongoing, periodic inspection by the NMPA, the FDA or other comparable regulatory authorities to ensure compliance with GMP regulations. Moreover, for our manufacturing facilities and other premises, we must obtain various permits, certificates and other approvals from the relevant administrative authorities at various stages of property development, including, for example, planning permits, construction permits, land use rights certificates, certificates for passing environmental assessments, certificates for passing fire control assessments, certificates for passing construction completion inspections and ownership certificates. We cannot guarantee that we will, at all times, be able to adequately follow and document our adherence

to such GMP regulations or other regulatory requirements as required by the NMPA, the FDA or other regulatory authorities. Failure to obtain and maintain such regulatory approvals of our manufacturing facilities may subject us to sanctions such as fines, injunctions, penalties, suspension of clinical trials, refusal of regulatory authorities to grant marketing approval of our product candidates, delay, suspension or withdrawal of issued approvals, supply disruptions, seizures or recalls of our product candidates, operating restrictions and criminal prosecutions, any of which may have an adverse effect on our business.

If we fail to construct or operate our commercial manufacturing facility as planned, our operating results could be adversely affected.

To cater to the anticipated market demand of our product candidates once they are approved by the NMPA, the FDA or other comparable regulatory authorities for marketing, we plan to construct a commercial manufacturing facility in Zhongshan, Guangdong Province. See "Business – Manufacturing – Manufacturing Facilities" in this document.

In constructing our manufacturing facility, we may experience unforeseen delays due to our failure to obtain funding, disrupted or delayed construction, or regulatory issues. Construction of new facilities, particularly for usage in the biopharmaceutical industry, is a complex and challenging process. Among other things, it requires (i) compliance with various laws regulations; (ii) gathering of considerable resources, including labor, equipment, and materials; and (iii) communications with and coordination among multiple parties, which could divert resources from our productive uses and consume significant amounts of management time. Therefore, we cannot assure you that our facility construction project will be completed as planned. Further costs of construction could also exceed budget, divert resources from other productive uses and consume significant amounts of management time, therefore adversely affect our operating results.

In addition, we may not be able to fully utilize our newly constructed facilities immediately or at all. Among others, such facility will be required to pass the GMP inspections conducted by relevant regulatory authorities before we are allowed to produce our product or product candidates. There is no guarantee that we will be able to pass such inspections. For details, see "– Failure to obtain and maintain regulatory approvals for our manufacturing facilities may affect our business and results of operations" in this section. If we are not able to obtain or maintain the necessary regulatory approvals, we would experience delays in operating our facilities, which would adversely affect our manufacturing ability, our results of operations, and future successful commercialization of our product candidates.

Further, as operating our newly-constructed manufacturing facility will require specialized skills and practical experience, we may not be able to recruit additional employees with the relevant experience required to operate our equipment or work at our facility immediately or at all, therefore prohibiting us from optimizing the utilization of our newly-constructed facility. Such inefficiency may result in the costs associated with constructing our facility outpace the increase in future revenues resulting from the manufacturing activities. As a result, even if our proposed construction plan is successfully carried out, our business, financial condition and results of operations may be adversely affected by our inability to optimize the utility of our newly-constructed facility.

Changes of manufacturing process may incur additional costs or adversely affect our clinical development and commercialization efforts.

We may need to change our manufacturing process at various points during product development and even after commercialization for a number of reasons, such as to control costs, achieve scale, decrease processing time, increase manufacturing success rate, among others. Changes to our manufacturing process bear certain risks, such as potential failure to achieve the intended objectives, or causing our product candidates to perform differently which affects the results of our clinical trials or post-marketing surveillance. In some circumstances, changes in the manufacturing process may require us to perform ex vivo comparability studies and to collect additional data from patients prior to undertaking more advanced clinical trials. For instance, changes in our process during the course of clinical development may require us to show the comparability of the product candidates used in earlier clinical phases or at earlier portions of a trial to the product candidates used in later clinical phases or later portions of the trial. We may also make further changes to our manufacturing process before or after commercialization, and such changes may require us to show the comparability of the products for sale to the product candidates used in the clinical trials using earlier processes. We may be required to collect additional clinical data from any modified process prior to obtaining marketing approval for the product candidates produced with such modified process. If clinical data are not ultimately comparable to those seen in the earlier trials or earlier in the same trial in terms of safety or efficacy, we may be required to make further changes to our process and/or undertake additional clinical testing, either of which could incur additional costs, significantly delay the clinical development or commercialization of the relevant product candidates.

We may not be successful in achieving commercial-scale manufacturing that provide for an attractive margin.

Since all of our products are at pre-clinical or clinical stage, we had limited experience in carrying out large-scale commercial manufacturing as of the Latest Practicable Date. Therefore, we may underestimate the cost and time required to manufacture our product candidates in large, commercial scale, or overestimate cost reductions from economies of scale that we expect to realize with our manufacturing processes. We may ultimately be unable to manage the costs of production for our product candidates to levels that will allow for a margin in line with our expectations and return on investment if and when our product candidates are commercialized.

RISKS RELATING TO COMMERCIALIZATION OF OUR DRUG CANDIDATES

If we are not able to obtain, or experience delays in obtaining required regulatory approvals, we will not be able to commercialize our product candidates, and our ability to generate revenue will be materially impaired.

To obtain regulatory approvals for the commercial sale of any product candidate for a target indication, we must demonstrate in pre-clinical studies and well-controlled clinical trials, and to the satisfaction of the NMPA, the FDA and other applicable regulatory authorities, that the product candidate is safe and effective for use for that target indication and that the manufacturing facilities, processes and controls are adequate. In addition to pre-clinical and clinical data, the NDA must include significant

information regarding the chemistry, manufacturing and controls for the product candidate. Obtaining regulatory approval is a lengthy, expensive and uncertain process, and approval may not be obtained. If we submit a NDA to the NMPA, the NMPA decides whether to accept or reject the submission for filing. We cannot be certain that any submissions will be accepted for filing and review by the NMPA.

Regulatory authorities outside China, such as the FDA, also have requirements for approval of therapeutic products for commercial sale with which we must comply prior to marketing in those areas. Regulatory requirements and approval processes can vary widely from country to country and could delay or prevent the introduction of our product candidates. Clinical trials conducted in one country may not be accepted by regulatory authorities in other countries, and obtaining regulatory approval in one country does not mean that regulatory approval will be obtained in any other country. Seeking foreign regulatory approval could require additional nonclinical studies or clinical trials, which could be costly and time-consuming. The foreign regulatory approval process may include all of the risks associated with obtaining NMPA approval. For all of these reasons, we may not obtain foreign regulatory approvals on a timely basis, if at all.

Following any approval for commercial sale of our product candidates, certain changes to the product, such as changes in manufacturing processes and additional labeling claims, may be subject to additional review and approval by the NMPA, the FDA and comparable regulatory authorities. Also, regulatory approval for any of our product candidates may be withdrawn.

We have limited experience in filing for regulatory approval for our product candidates, and we have not yet demonstrated the ability to receive regulatory approval for our product candidates. As a result, our ability to successfully obtain regulatory approval for our product candidates may involve more inherent risk, take longer, and cost more than it would if we were a company with substantial experience in obtaining regulatory approvals.

If we are unable to obtain regulatory approval for our product candidates in one or more jurisdictions, or any approval contains significant limitations, our target market will be reduced and our ability to realize the full market potential of our product candidates will be harmed. Furthermore, we may not be able to obtain sufficient funding or generate sufficient revenue and cash flows to continue the development of any other product candidate in the future.

We have no experience in the commercialization of drugs. If we are unable to build, manage, expand and optimize an effective sales and distribution network for our drug candidates, either by ourselves or through third parties, we may not be able to successfully create or increase market awareness of our products or sell our products, which will materially affect our ability to generate product sales revenue.

Our operations to date have been largely focused on developing our drug candidates, primarily undertaking pre-clinical studies and conducting clinical trials. We have not yet demonstrated that we have the ability to launch and commercialize any of our drug candidates. Our ability to successfully commercialize our drug candidates may involve more inherent risk, take longer, and cost more than it would if we were a company with experience in launching and marketing drug candidates. We will have

to compete with many companies that currently have commercialization teams and extensive sales and marketing operations. With limited experience in sales and marketing, we may be unable to compete successfully against these more established companies. In the long term, if we intend to distribute our products worldwide, we would need to develop and expand our in-house marketing organization and sales force, which will require significant expenditures, management resources and time. We will have to compete with other pharmaceutical companies to recruit, hire, train and retain marketing and sales personnel. We may also consider working with external partners to leverage their sales and marketing expertise and well-established networks and resources. However, there can be no assurance that we will be able to establish or maintain such collaborative arrangements, or if we are able to do so, that they will have effective sales forces. Any revenue we receive will depend upon the efforts of such third parties. We would have little or no control over the marketing and sales efforts of such third parties, and our revenue from product sales may be lower than if we had commercialized our drug candidates ourselves. We will also face competition in our search for third parties to assist us with the sales and marketing efforts for our drug candidates.

There can be no assurance that we will be able to successfully develop and maintain in-house sales and commercial distribution capabilities or establish or maintain relationships with third-party collaboration partners to successfully commercialize any product, and as a result, our ability to generate product sales revenue may be negatively affected.

The size of the potential market for our current or future drug candidates is difficult to estimate and, if any of our assumptions is inaccurate, the actual markets for our current or future drug candidates may be smaller than our estimates.

Our projections of the number of patients who have the potential to benefit from treatment with our drug candidates are based on our beliefs and estimates. These estimates have been derived from a variety of sources, including scientific literature, surveys of clinics, patient foundations, or market research and may prove to be incorrect. Further, new studies may change the estimated incidence or prevalence of these diseases. The number of patients may turn out to be fewer than expected. As a result, the potentially addressable patient population and market size for our drug candidates may be smaller than our estimates.

The future commercial success of our drug candidates will depend on the degree of their market acceptance among physicians, patients and others in the medical community.

Even if we obtain marketing approvals from the NMPA, the FDA or other comparable regulatory agencies and are able to initiate commercialization of our product candidates, such product candidates may not achieve adequate market acceptance among physicians, patients, third-party payors and others in the medical community, thus may not be commercially successful. It may also take a longer time to establish market acceptance of PSC-derived cell therapy products, particularly hESC-derived cell therapy products, as currently there is no approved hESC-derived cell therapy products globally. The degree of market acceptance of our product candidates, if approved for commercial sale, will depend on a number of factors, including:

- the clinical indications for which our drug candidates are approved;

- physicians, hospitals and patients' perception of our drug candidates as a safe and effective treatment;
- the effectiveness of the training for physicians, hospitals and other healthcare institutions;
- the potential and perceived advantages of our drug candidates over alternative treatments;
- the prevalence and severity of any side effects;
- product labeling or product insert requirements of applicable regulatory authorities;
- limitations or warnings contained in the labeling approved by applicable regulatory authorities;
- the timing of market introduction of our drug candidates as well as competitive drugs;
- the cost of treatment in relation to alternative treatments;
- the availability of adequate coverage, reimbursement and pricing by third-party payors and government authorities;
- the willingness and ability of patients to pay out-of-pocket in the absence of coverage and reimbursement by third-party payors and government authorities; and
- the effectiveness of our sales and marketing efforts.

Our efforts to educate physicians, patients, third-party payors and others in the medical community on the benefits and risks of our products, if approved, may require significant resources and may be ineffective, incomplete or unsuccessful. Such efforts may require more resources than are typically required by more conventional treatment options due to the complexity and uniqueness of our product candidates. For example, adverse publicity due to the ethical and social controversies surrounding the therapeutic use of PSCs, and reported side effects from any clinical trials using PSCs or the failure of such trials to demonstrate that these therapies are safe and effective, may limit market acceptance of our product candidates. As we expect sales of our product candidates, if approved, to generate substantially all of our product revenue for the foreseeable future, the failure of our product candidates to achieve market acceptance would have a material adverse impact on our business and may require us to seek additional financing.

Moreover, even if our approved product candidates achieve market acceptance, we may not be able to maintain that market acceptance over time if new products or technologies are introduced that are more favorably received than our product candidates, are more cost effective or render our product candidates obsolete.

The illegal and/or counterfeit pharmaceutical products may reduce demand for our drug candidates, which could have a negative impact on our reputation and business.

The illegal import of similar or competing products from countries where government price controls or other market dynamics result in lower prices may adversely affect the demand for our future approved drug candidates and, in turn, may adversely affect our sales and profitability in China and other countries where we plan to commercialize our drug candidates. Unapproved foreign imports of prescription drugs are illegal under current laws of China. However, illegal imports may continue to occur or even increase as the ability of patients and other customers to obtain these lower priced imports continues to grow. In addition, competent government authorities may expand consumers' ability to import lower priced versions of our future approved products or competing products from outside China or other countries where we operate. Any future legislation or regulations that increase consumer access to lower priced medicines from outside China or other countries where we operate could have a material adverse effect on our business.

Certain pharmaceutical products distributed or sold in our target markets may be manufactured without proper licenses or approvals, or are fraudulently mislabeled with respect to their usage or manufacturers. These products are generally referred to as counterfeit pharmaceutical products. The regulatory control and law enforcement system in relation to the counterfeit pharmaceutical products, may be inadequate to discourage or eliminate the manufacturing and sale of counterfeit pharmaceutical products imitating our products in a timely manner, or at all. Since counterfeit pharmaceutical products in many cases have very similar appearances compared with the authentic pharmaceutical products but are generally sold at lower prices, counterfeits of our products can quickly erode the demand for our future approved drug candidates. A patient who receives a counterfeit pharmaceutical product may be at risk for a number of dangerous health consequences, which potentially exposes us to product liability claims, government investigations, and other disputes and negative consequences. Our reputation and business could suffer harm as a result of counterfeit pharmaceutical products sold under our brand name.

Any AEs or SAEs caused by our drug candidates after commercialization which are not found during the R&D stage may limit the commercial profile of relevant products, or result in other negative consequences.

Since the population of patients taking our drug candidates will increase substantially after commercialization of our drug candidates, there may be AEs or SAEs caused by our drug candidates which are not found during the R&D stage. Such events may lead to potentially significant negative consequences which including but not limited to, the following:

- regulatory authorities may withdraw approvals or revoke licenses of our approved drug candidates;
- we may have to suspend marketing of our approved drug candidates;
- regulatory authorities may require additional warnings on the label or amendment of the manual of an approved drug candidate, or impose other limitations on an approved drug candidate;

- the NMPA, the FDA or a comparable regulatory authority may require the establishment of a Risk Evaluation and Mitigation Strategy, or other similar plans, which may restrict distribution of our approved drug candidates and impose burdensome implementation requirements on us, among other risk mitigation tools;

- we may be required to change the way the drug candidate is administered, or conduct post-marketing studies;

- we could be subject to litigation proceedings and held liable for harm caused to patients exposed to or taking our drug products, who may suffer from adverse events related to the treatment; and

- our reputation may suffer.

Any of these events could prevent us from achieving or maintaining market acceptance of any particular drug candidate that is approved and could significantly harm our business, financial condition, results of operations and prospects.

Guidelines, recommendations and studies published by various organizations could disfavor our drug candidates.

Government agencies, professional societies, private health and science foundations and organizations focused on various diseases may publish guidelines, recommendations or studies that affect our or our competitors' drugs and drug candidates. Any such guidelines, recommendations or studies that reflect negatively on our drug candidates, either directly or relative to our competitive drug candidates, could result in current or potential decreased use, sales of, and revenues from one or more of our drug candidates. Furthermore, our success depends in part on our ability to educate healthcare providers and patients about our drug candidates, and these education efforts could be rendered ineffective by, among other things, third-parties' guidelines, recommendations or studies.

Our drug candidates may not be covered by insurance or reimbursement programs or may become subject to unfavorable insurance policies or reimbursement practices, either of which could harm our business, and we may be subject to unfavorable pricing regulations, which could make it difficult for us to sell our drugs profitably.

The regulations that govern regulatory approvals, pricing and reimbursement for new therapeutic products vary widely from jurisdiction to jurisdiction. We intend to seek approval to market our drug candidates in China, the U.S. and in other jurisdictions. In China and some markets outside China, the pricing of drugs is subject to governmental oversight and regulation. Thus, our ability to commercialize any approved drug candidates successfully will depend in part on the extent to which reimbursement for these drugs and 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 payers have attempted to control costs by limiting coverage and the amount of reimbursement for particular medications. In China, the National Healthcare Security Administration and the Ministry of Human Resources and Social Security, together with other government authorities, regularly review the inclusion or removal of drugs from the NRDL. The NRDL determines a pharmaceutical product's reimbursable amounts for program participants under the National Medical Insurance Program, (the "**NMIP**"). Under the NMIP, patients are entitled to full or partial reimbursement of costs for pharmaceutical products listed in the NRDL. A pharmaceutical product's inclusion in or exclusion from the NRDL and its tier under the NRDL will significantly affect the demand for such product in China. There is no assurance that any of our future approved drug candidates will be included in the NRDL. The inclusion of pharmaceutical products by relevant authorities into the NRDL is based on a variety of factors, including efficacy, safety and price. If we were to successfully launch commercial sales of our products but fail in our efforts to have our products included in the NRDL, our revenue from commercial sales would be highly dependent on patient self-payment, which can make our products less competitive. Patients may choose other drugs with similar efficiency but lower price which have been included in the NRDL. Additionally, even if the Ministry of Human Resources and Social Security of China or any of its local counterparts were to accept our application for the inclusion of products in the NRDL, our potential revenue from the sales of these products could still decrease as a result of the significantly lowered prices we may be required to charge for our products to be included in the NRDL.

Increasingly, third-party payers 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 that reimbursement will be available for any approved drug candidates that we commercialize and, if reimbursement is available, what the level of reimbursement will be. Reimbursement may impact the demand for, or the price of, any approved drug candidates that we commercialize. If reimbursement is not available or is available only to limited levels, we may not be able to successfully commercialize any drug candidates that we successfully develop.

There may be significant delays in obtaining reimbursement for approved drug candidates, and reimbursement coverage may be more limited than the approved indications of the drug candidates by the NMPA, the FDA or other comparable regulatory authorities. Moreover, eligibility for reimbursement does not imply that any drug will be paid for in all cases or at a rate that covers our costs, including research, development, manufacture, sale and distribution. Interim payments for new drugs, if applicable, may also not be sufficient to cover our costs and may not be made permanent. Payment rates may vary according to the use of the drug and the clinical setting in which it is used, may be based on payments allowed for lower cost drugs that are already reimbursed, and may be incorporated into existing payments for other services. Net prices for drugs may be reduced by mandatory discounts or rebates required by government healthcare programs or private payers. Our inability to promptly obtain reimbursement coverage at profitable payment rates from both government-funded and private payers for any future approved drug candidates and any new drugs that we develop could have a material adverse effect on our business, our operating results, and our overall financial condition.

The increasing use of social media platforms presents new risks and challenges.

Social media are increasingly used by patients to communicate about the diseases that our product candidates are designed to treat, which poses risks and challenges for us. For example, patients may use social media channels to comment on the effectiveness of a product or report alleged adverse events. We may not be able to closely monitor every one of such posts or comments, therefore may not be able to fully comply with applicable adverse events reporting obligations. We also may not be able to defend ourselves due to restrictions on what we are allowed to comment about our product candidates. We also face risks arising from inappropriate disclosure of sensitive information or from negative or inaccurate posts or comments about us on social networking websites. If any of these events occur or we otherwise fail to comply with applicable regulations, we may incur liability, face regulatory actions or incur other harms to our business.

RISKS RELATING TO OUR INTELLECTUAL PROPERTY RIGHTS

If we or our licensors are unable to obtain and maintain adequate patent and other intellectual property protection for our drug candidates throughout the selected markets in the world, or if the scope of such intellectual property rights obtained is not sufficiently broad or a compulsory license is issued, third parties could develop and commercialize drug candidates and technologies similar or identical to ours and compete directly against us, and our ability to successfully develop and commercialize any of our drug candidates or technologies would be materially and adversely affected.

We seek to protect the drug candidates and technologies that we consider commercially important by filing patent applications in China and other jurisdictions, relying on trade secrets or pharmaceutical regulatory protection or employing a combination of these methods. See "Business – Intellectual Property" in this document. If we or our collaborating partners are unable to obtain and maintain patent and other intellectual property protection with respect to our drug candidates and technologies, our business, financial condition, results of operations and prospects could be materially harmed.

The patent prosecution process is expensive, time-consuming and complex, and we and our collaborating partner may not be able to file, prosecute, maintain, defend, enforce or license all necessary or desirable patents and patent applications at a reasonable cost or in a timely manner in all desirable jurisdictions. As a result, we and our collaborating partners may not be able to prevent competitors or other third parties from developing and commercializing competitive drugs in all such fields and jurisdictions. Our pending and future patent applications may not result in patents being issued which protect our technologies or drug candidates or which effectively prevent others from commercializing competitive technologies and drug candidates.

The requirements for patentability differ in certain jurisdictions. For example, methods of treatment of diseases are not patentable subject matters in China. Many jurisdictions have compulsory licensing laws under which a patent owner may be compelled to grant licenses to third parties. For example, according to the PRC Patent Law, for public health purposes, the CNIPA may grant a compulsory license

for manufacturing patented drugs and exporting them to countries or regions covered under relevant international treaties to which PRC has acceded. In addition, many jurisdictions limit the enforceability of patents against government agencies or government contractors. In these jurisdictions, the patent owner may have limited remedies, which could materially diminish the value of such patents. If we are forced to grant a license to third parties with respect to any patent or patent application relevant to our business, our competitive position may be materially impaired and our business, financial condition, results of operations and prospects may be adversely affected.

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 non-disclosure and confidentiality agreements with parties who have access to confidential or patentable aspects of our research and development output, such as our employees and third-party contractors, 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 in the U.S. and other jurisdictions 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. Furthermore, China and the U.S., have adopted the "first-to-file" system, under which the one who is the first to file 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 file in advance to CNIPA, for confidentiality examination. Otherwise, if an application is later filed in China, the patent right will not be granted.

The coverage claimed in a patent application can be significantly reduced before the patent is issued, and its scope can be reinterpreted after issuance. Even if patent applications we own currently or in the future issue as patents, they may not issue in a form that will provide us with any meaningful protection, prevent competitors or other third parties from competing with us, or otherwise provide us with any competitive advantage. Any patents that we hold, acquire or in-license may be challenged, narrowed, circumvented, or invalidated by third parties. In addition, the patent position of pharmaceutical 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. Consequently, we do not know whether any of our technology advances and drug candidates will be protectable or remain protected by valid and enforceable patents. Our competitors or other third parties may be able to circumvent our patents by developing similar or alternative technologies or products in a non-infringing manner.

Our patent rights may be challenged and invalidated.

The issuance of a patent is not conclusive as to its inventorship, scope, validity or enforceability, and our patent rights may be challenged in the courts or patent offices in China, the U.S. and other jurisdictions. We may be subject to claims that former employees, collaborators or other third parties have an interest in our patents or other intellectual property or become involved in opposition, derivation, revocation, reexamination, post-grant and *inter partes* review, or interference proceedings challenging our patent rights or the patent rights of others. If we are unsuccessful in any interference proceedings or other priority or validity disputes (including any patent oppositions) to which our intellectual properties are subject, we may lose valuable intellectual property rights through the loss of one or more patents or our patent claims may be narrowed, invalidated, or held unenforceable. In addition, if we are unsuccessful in any inventorship disputes to which we are subject, we may lose valuable intellectual property rights, such as exclusive ownership. If we are unsuccessful in any interference proceeding or other priority or inventorship dispute, we may be required to obtain and maintain licenses from third parties, including parties involved in any such interference proceedings or other priority or inventorship disputes. Such licenses may not be available on commercially reasonable terms or at all, or may be non-exclusive. If we are unable to obtain and maintain such licenses, we may need to cease the development, manufacture and commercialization of one or more of our drug candidates. The loss of exclusivity or the narrowing of our patent claims could limit our ability to stop others from using or commercializing similar or identical drug products. Any of the foregoing could result in a material adverse effect on our business, financial condition, results of operations or prospects. Even if we are successful in an interference proceeding or other similar priority or inventorship disputes, it could result in substantial costs and be a distraction to our management and other employees.

Specifically, despite measures we take to obtain patent protection with respect to our major drug candidates and technologies, any of such issued patents could be narrowed, challenged or invalidated due to any interference proceedings or other priority or validity disputes. For example, if we were to initiate legal proceedings against a third party to enforce a patent covering one of our drug candidates, the defendant could counterclaim that our patent is invalid or unenforceable. In patent litigations in the U.S., for example, defendant counterclaims alleging invalidity or unenforceability are commonplace, and there are numerous grounds upon which a third party can assert invalidity or unenforceability of a patent. Grounds for a validity challenge could be an alleged failure to meet any of several statutory requirements, including lack of novelty, obviousness, lack of written description or non-enablement. Grounds for an unenforceability assertion could be an allegation that someone connected with prosecution of the patent withheld material information from the relevant patent office, or made a misleading statement, during prosecution. Third parties may also raise similar patent invalidity claims before administrative bodies in China, the U.S. or in other jurisdictions, even outside the context of litigation. Such mechanisms include *ex parte* re-examination, *inter partes* review, post-grant review, interference proceedings, derivation, invalidation, revocation and equivalent proceedings in non-U.S. jurisdictions, such as opposition proceedings. The outcome following legal assertions of invalidity and unenforceability is unpredictable. Such proceedings could result in revocation of or amendment to our patents in such a way that they no longer adequately cover and protect our drug candidates. Even if a third party does not prevail on a legal assertion of invalidity or unenforceability, our patent claims may be construed in a manner that would limit our ability to enforce such claims against such third party and others.

Even if we obtain patent protection for our drug candidates, the term of such protection, if any, is limited, and third parties could develop and commercialize products and technologies similar or identical to ours and compete directly against us after the expiration of our patent rights, if any, and our ability to successfully commercialize any product or technology would be materially and adversely affected.

Although various adjustments and extensions may be available, the term of a patent, and the protection it affords, is limited. For example, the expiration of a patent is generally 20 years for invention in the PRC and generally 20 years from the earliest date of filing of the first non-provisional patent application to which the patent claims priority in the U.S. Generic or biosimilar medications may obtain marketing approval following our patent expiration. The patents and pending patent applications, if issued, for our drug candidates are expected to expire on various dates. For details of the expiration dates of our issued patents for our drug candidates, see "Business – Intellectual Property" in this document. Upon the expiration of our issued patents or patents that may issue from our pending patent applications, we will not be able to assert such patent rights against potential competitors and our business and results of operations may be adversely affected.

Given the amount of time required for the development, testing and regulatory review of new drug candidates, patents protecting such drug candidates might expire before or shortly after such drug candidates are commercialized. As a result, our patents and patent applications may not provide us with sufficient rights to exclude others from commercializing products similar or identical to ours, which could have a material adverse effect on our competitive position, business, financial conditions, results of operations and prospects.

We may become involved in lawsuits to protect or enforce our intellectual property, which could be expensive, time-consuming and unsuccessful.

Competitors or other third parties may infringe our patent rights or misappropriate or otherwise violate our intellectual property rights. To counter infringement, misappropriation or any other unauthorized use, litigation may be necessary in the future to enforce or defend our intellectual property rights, to protect our trade secrets or to determine the validity and scope of our own intellectual property rights. Litigation and other proceedings in connection with any of the foregoing claims can be expensive and time-consuming and, even if resolved in our favor, may cause us to incur significant expenses and could distract management and our scientific and technical personnel from their normal responsibilities. We may not prevail in any lawsuits that we initiate, and the damages or other remedies awarded, if any, may not be commercially meaningful. Any claims that we assert against perceived infringers and other violators could also provoke these parties to assert counterclaims against us alleging that we infringe, misappropriate or otherwise violate their intellectual property rights. Many of our current and potential competitors have the ability to dedicate more resources to enforce and defend their intellectual property rights than we can. Accordingly, despite our efforts, we may not be able to prevent third parties from infringing upon, misappropriating or otherwise violating our intellectual property rights. An adverse result in any litigation proceeding could put our patents, as well as any patents that may issue in the future from our pending patent applications, at risk of being invalidated, held unenforceable or interpreted narrowly. Furthermore, because of the substantial amount of discovery required in connection with intellectual

property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation. Therefore, even if we were to ultimately prevail, or to settle at an early stage, such litigation could burden us with substantial unanticipated costs.

Moreover, we may not be able to detect infringement against our patents. Even if we detect infringement by a third party of any of our patents, we may choose not to pursue litigation against or settlement with such third party. If we later sue such third party for patent infringement, the third party may have certain legal defenses available to it, such as the delay between when the infringement was first detected and when the suit was brought. Such legal defenses may make it impossible for us to enforce our patents against such third party.

Although we believe that we have conducted our patent prosecution in accordance with the duty of candor and in good faith, the outcome following legal assertions of invalidity and unenforceability is unpredictable. With respect to the validity of our patents, for example, we cannot be certain that there is no invalidating prior art of which we, our collaboration partner, our or their patent counsel and the patent examiner were unaware during prosecution. If a defendant were to prevail on a legal assertion of invalidity or unenforceability, we would lose at least part, and perhaps all, of the patent protection on our drug candidates, leave our technology or drug candidates without patent protection, allow third parties to commercialize our technology or drug candidates and compete directly with us, without payment to us, or could require us to obtain license rights from the prevailing party in order to be able to manufacture or commercialize our drug candidates without infringing third party patent rights. Even if a defendant does not prevail on a legal assertion of invalidity 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.

If we are sued for infringing, misappropriating or otherwise violating intellectual property rights of third parties or engaging in unfair competition, such litigation could be costly and time-consuming and could prevent or delay us from developing or commercializing our drug candidates.

Our commercial success depends in part on our ability to avoid infringing, misappropriating, or otherwise violating intellectual property rights of third parties. However, our efforts to identify and avoid infringing on third parties' intellectual property rights may not always be successful.

Besides, defending ourselves against third parties' intellectual right infringement allegations, meritorious or not, would be expensive and time consuming, and would be a substantial diversion of our resources and our management team's attention. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, some of our confidential information could be compromised by disclosure during this type of litigation.

In the event that third parties assert infringement claims against us, there is no assurance that the outcome would be in our favor, as whether a drug candidate or technology infringes on third parties' intellectual property rights involves an analysis of complex legal and factual issues, the determination of which is often uncertain, and the burden of proof required to successfully challenge a third-party intellectual property right may be high. If we were found by courts or other competent authorities to have infringed on the patent or other intellectual property rights of third parties, we may be subject to

injunctive or other equitable relief, which could prevent us from developing and commercializing our drug candidates, or at least delay the development or commercialization process. Even if the litigations or other proceedings are resolved in our favor, our involvement in such proceedings may attract publicity, thereby having a substantial adverse effect on our reputation and brand name.

Failure to obtain the patent term extension for products could increase the risk of early generic competition for our products.

In China, the fourth Amendments to the PRC Patent Law (《中華人民共和國專利法》), which was adopted on October 17, 2020 and was put into effect on June 1, 2021, introduces patent term extension system for drug patents. The PRC Patent Law stipulates that the Patent Administration Department under the State Council shall, upon request of the patentee, extend the patent term of relevant invention patents of the new drug that is approved to be listed on the market in China, to compensate for the time spent for the review and examination and approval of the listing of a new drug on the market. The compensated extension shall not exceed five years, and the total valid patent term after the new drug is approved for the market shall not exceed 14 years. In the U.S., the Federal Food Drug and Cosmetic Act, as amended by the Drug Price Competition and Patent Term Restoration Act of 1984, commonly referred to as "Hatch-Waxman," provides the opportunity for limited patent term extension. Hatch-Waxman permits a patent-term restoration that provides a patent term extension of up to five years to reflect patent term lost during certain portions of product development and the FDA regulatory review process. Such patent term extension cannot extend the remaining term of a patent beyond a total of 14 years from the date of drug approval. If we fail to apply for such patent term extension in accordance with the applicable NMPA and/or FDA requirements, we may not be able to benefit from those benefits.

If our trademarks and trade names are not adequately protected, we may not be able to build name recognition in our markets of interest and our business may be adversely affected.

We currently own issued trademark registrations, which may be the subject of a governmental or third-party objection, which could prevent the maintenance of the same. We cannot assure you that any trademark applications we may file in the future will be approved. During trademark registration proceedings, we may receive rejections and although we are given an opportunity to respond to those rejections, we may be unable to overcome such rejections. In addition, in proceedings before the CNIPA, USPTO and other comparable agencies in many foreign jurisdictions, third parties are given an opportunity to oppose pending trademark applications and to seek to cancel registered trademarks. Opposition or cancelation proceeding may be filed against our trademarks and our trademarks may not survive such proceedings. If we are unsuccessful in obtaining trademark protection for our primary brands, we may be required to change our brand names, which could materially adversely affect our business. Moreover, as our products mature in the future, upon regulatory approval, our reliance on our trademarks to differentiate us from our competitors will increase, and as a result, if we are unable to prevent third parties from adopting, registering or using trademarks and trade dress that infringe, dilute or otherwise violate our trademark rights, or engaging in conduct that constitutes unfair competition, defamation or other violation of our rights, our business could be materially adversely affected.

Our trademarks or trade names may be challenged, infringed, circumvented or declared generic or determined to be infringing on other marks. We may be unsuccessful to protect our rights to these trademarks and trade names, which we need to build name recognition among potential partners or customers in our markets of interest. At times, competitors or other third parties may adopt trade names or trademarks similar to ours, thereby impeding our ability to build brand identity and possibly leading to market confusion. In addition, there could be potential trade name or trademark infringement claims brought by owners of other registered trademarks or trademarks that incorporate variations of our registered or unregistered trademarks or trade names. Over the long term, if we are unable to establish name recognition based on our trademarks and trade names, then we may not be able to compete effectively and our business may be adversely affected. Our efforts to enforce or protect our proprietary rights related to trademarks, trade secrets, domain names, copyrights or other intellectual property may be ineffective and could result in substantial costs and diversion of resources. Any of the foregoing could have a material adverse effect on our competitive position, business, financial condition, results of operations and prospects.

If we are unable to protect the confidentiality of our trade secrets, our business and competitive position would be harmed.

In addition to our issued patents and pending patent applications, 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 drug candidates. We seek to protect our trade secrets and confidential information, in part, by entering into confidentiality agreements or clauses with parties that have access to trade secrets or confidential information, such as our employees and our business partners. However, we may not be able to prevent the unauthorized disclosure or use of our trade secrets and confidential information by the parties to these agreements. Monitoring unauthorized uses and disclosures is difficult and we do not know whether the steps we have taken to protect our proprietary technologies will be effective. Any of the parties with whom we enter into confidentiality agreements may breach or violate the terms of any such agreements and may disclose our proprietary information, and we may not be able to obtain adequate remedies for any such breach or violation. As a result, we could lose our trade secrets and third parties could use our trade secrets to compete with our drug candidates and technology. Additionally, we cannot guarantee that we have entered into such agreements with each party that may have or has had access to our trade secrets or proprietary technology and processes. 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.

We may be subject to claims that our employees have wrongfully used or disclosed alleged trade secrets of their former employers, or claims asserting ownership of what we regard as our own intellectual property.

Many of our employees, including our senior management, may currently be, or were previously employed at other pharmaceutical companies, including our competitors or potential competitors. Some of these employees executed proprietary rights, non-disclosure and non-competition agreements in

connection with such previous employment. Although we try to ensure that these 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 current or former employer. We are not aware of any threatened or pending claims related to these matters or concerning the agreements with our senior management, but in the future litigation may be necessary to defend against such claims. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or be required to obtain licenses to such intellectual property rights, which may not be available on commercially reasonable terms or at all. An inability to incorporate such intellectual property rights would harm our business and may prevent us from successfully commercializing our drug candidates. In addition, we may lose personnel as a result of such claims and any such litigation or the threat thereof may adversely affect our ability to hire employees or contract with independent contractors. A loss of key personnel or their work product could hamper or prevent our ability to commercialize our drug candidates and technology, which would have a material adverse effect on our business, results of operations, financial condition and prospects. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to our employees and management.

In addition, while we typically require our employees and contractors who may be involved in the conception or development of intellectual property to execute agreements assigning such intellectual property to us, we may be unsuccessful in executing such an agreement with each party who in fact develops intellectual property that we regard as our own. Furthermore, even when we obtain agreements assigning intellectual property to us, the assignment of intellectual property rights may not be self-executing, or the assignment agreements may be breached, each of which may result in claims by or against us related to the ownership of such intellectual property to determine the ownership of what we regard as our intellectual property. Furthermore, individuals executing agreements with us may have pre-existing or competing obligations to a third party, such as an academic institution, and thus an agreement with us may be ineffective in perfecting ownership of inventions developed by that individual. If we fail in prosecuting or defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights. Even if we are successful in prosecuting or defending any of the foregoing claims, litigation could result in substantial costs and be a distraction to our management and scientific personnel.

Intellectual property laws and regulations are subject to development, which may diminish the value of our intellectual property and impair the intellectual property protection of our drug candidates.

Our success is heavily dependent on obtaining, maintaining, enforcing and defending intellectual property, particularly patents. Obtaining and enforcing patents in the pharmaceutical and biopharmaceutical industry involves technological and legal complexity and is costly, time-consuming and inherently uncertain. Changes in either the patent laws or their interpretation in different jurisdictions may increase the uncertainties and costs surrounding the prosecution of our patents, diminish our ability to protect our inventions, and, more generally, affect the value of our intellectual property or narrow the scope of our patent rights.

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

Periodic maintenance fees, renewal fees, annuity fees and various other governmental fees on patents and patent applications are due to be paid to the CNIPA, the USPTO and other patent agencies in several stages over the lifetime of a patent. The CNIPA, USPTO and other similar governmental patent agencies require compliance with a number of procedural, documentary, fee payment and other similar provisions during the patent application and maintenance 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, there are situations in which 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.

We may not be successful in obtaining or maintaining necessary rights for our development pipeline through acquisitions.

Because our programs may involve additional drug candidates that may require the use of proprietary rights held by third parties, the growth of our business may depend in part on our ability to acquire such proprietary rights. We may be unable to acquire any compositions, methods of use, or other intellectual property rights from third parties that we identify. The acquisition of third-party intellectual property rights is a competitive area, and a number of more established companies are also pursuing strategies to acquire third-party intellectual property rights that we may consider attractive or necessary. These established companies may have a competitive advantage over us due to their size, cash resources and greater clinical development and commercialization capabilities. In addition, companies that perceive us to be a competitor may be unwilling to sell rights to us. We also may be unable to acquire third-party intellectual property rights on terms that would allow us to make an appropriate return on our investment or at all. If we are unable to successfully obtain rights to required third-party intellectual property rights or maintain the existing intellectual property rights we have, we may have to abandon development of the relevant program or drug candidate, which could have a material adverse effect on our business, financial condition, results of operations and prospects for growth.

Intellectual property rights do not necessarily protect us from all potential threats.

The degree of protection afforded by our intellectual property rights is essentially uncertain because intellectual property rights have limitations and may not adequately protect our business or permit us to maintain our competitive advantage. The limitations of currently available intellectual property protection regimes include that:

- others may be able to make products that are similar to any of our drug candidates or utilize similar or alternative technology that are not covered by the claims of the patents that we own or in-license now or in the future;

- we or our current or future collaboration partners might not have been the first to make the inventions covered by the issued patents or pending patent applications that we own or may license in the future;

- we or our current or future collaboration partners might not have been the first to file patent applications covering certain of our or their inventions, which could result in the patent applications not issuing or the patents being invalidated after issuing;

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

- it is possible that our, or our current or future collaboration partners' pending patent applications or those that we may own or in-license in the future will not lead to issued patents;

- patents that may be issued from our, or our current or future collaboration partners' pending patent applications may not provide us with any competitive advantages, or may be held invalid or unenforceable, including as a result of legal challenges by our competitors;

- 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 products for sale in our major commercial markets;

- we may obtain patents for certain compounds many years before we obtain marketing approval for products containing such compounds, and because patents have a limited life, which may begin to run prior to the commercial sales of the related product, the commercial value of our patents may be limited;

- the proprietary technologies on which we rely may not be patentable;

- the patents of others may materially and adversely affect our business; and

- we may choose not to file a patent for certain trade secrets or know-how, yet a third party may subsequently file a patent covering such intellectual property.

Should any of these events occur, they could have a material adverse effect on our business, financial condition, results of operations and prospects.

RISKS RELATING TO GOVERNMENT REGULATIONS

All material aspects of the research, development and commercialization of pharmaceutical products are heavily regulated. Any failure to comply with existing or future regulations and industry standards or any adverse actions by drug approval authorities against us could negatively impact our reputation and our business, financial condition, results of operations and prospects.

All jurisdictions in which we intend to develop and commercialize our drug candidates regulate these activities in great depth and detail. We adopt a global development strategy and intend to focus our activities in the major markets including China, the U.S. and Europe. These jurisdictions all strictly regulate the pharmaceutical industry, and in doing so they employ broadly similar regulatory strategies, including regulation of the development and approval, manufacturing, marketing, sales and distribution of pharmaceutical 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 maintaining compliance with appropriate laws and regulations requires the expenditure of substantial time and financial resources. Failure to comply with the applicable regulatory requirements in the jurisdictions we operate or target to operate in the future at any time during the drug development process or approval process, or after approval, may subject an applicant to administrative or judicial sanctions. These sanctions could include but are not limited to a regulator's refusal to approve pending applications, withdrawal of an approval, license revocation, a clinical hold, voluntary or mandatory product recalls, product seizures, total or partial suspension of production or distribution, injunctions, fines, refusals of government contracts, restitution, disgorgement or civil or criminal penalties. Any occurrence of the foregoing could therefore materially and adversely affect our business, financial condition, results of operations and prospects.

In addition, any action against us for violation of the relevant laws, regulations or industry standards, even if we successfully defend against it, could cause us to incur significant legal expenses, divert our management's attention from the operation of our business, and adversely affect our reputation and financial results.

The regulatory approval processes of the NMPA, the FDA and other comparable regulatory authorities are lengthy, time-consuming and inherently unpredictable. If we are unable to obtain without undue delay any regulatory approval for our drug candidates in our targeted markets, our business may be substantially harmed.

We are subject to risks associated with obtaining regulatory approvals. Difficulties and failures in doing so may expose us to various harms. The time required to obtain approvals from the relevant regulatory authorities in different jurisdictions is unpredictable and depends on numerous factors, including the substantial discretion of the regulatory authorities. We cannot assure you that we will

be able to meet regulatory requirements of different jurisdictions or that our drug candidates will be approved for sale in those jurisdictions. Additional time, effort and expense may be required to bring our drug candidates, upon regulatory approval, to different markets in compliance with different regulatory processes.

We may fail to receive the regulatory approvals from the NMPA, the FDA or other comparable regulatory authorities for our drug candidates due to a number of reasons, including:

- disagreement in the design or implementation of our clinical trials;
- failure to demonstrate that a drug candidate is safe and effective for its proposed indication;
- insufficient or suboptimal data collected from the clinical trials, or failure of our clinical trial results to meet the level of statistical and medical significance required for approvals;
- failure of our clinical trial process to pass GCP inspections;
- unexpected changes in regulations, testing requirements, or approval policies that render our pre-clinical and clinical data insufficient for approval;
- failure of our clinical sites to pass audits carried out by the NMPA, the FDA or other comparable regulatory authorities, resulting in a potential invalidation of our research data; and
- findings of deficiencies related to our manufacturing processes or the manufacturing facilities of third-party manufacturers from whom we procure clinical and commercial supplies, such as failure to pass cGMP inspections.

The NMPA, the FDA or other comparable regulatory authorities may require more information to support approval, including additional pre-clinical or clinical data, which may result in delay in regulatory approval and commercialization plans or denial of regulatory approval. In the case where an approval is issued, regulatory authorities may approve fewer indications, including undesired indications, of our drug candidates than the indications we applied for.

Failure to obtain regulatory approvals in a timely manner, or at all, or failure to obtain regulatory approvals with an intended scope of indications could have a negative impact on the commercial prospects of our drug candidates, and may cause reputational damage. If any of our drug candidates fails to demonstrate safety and efficacy to the satisfaction of regulatory authorities or does not otherwise produce positive results in future clinical trials, we would not be able to realize any revenue on such drug candidate despite the significant amount of resources we would have spent on its development, which could materially adversely affect our business, financial condition, results of operations and prospects.

Even if we receive regulatory approval for our drug candidates, we will be subject to ongoing or additional regulatory obligations and continued regulatory review, which may result in significant additional expenses and we may be subject to penalties and other negative consequences if we fail to comply with these regulatory requirements or experience unanticipated problems with our drug candidates.

If the NMPA, the FDA or a comparable regulatory authority approves any of our drug candidates, the manufacturing processes, labeling, packaging, storage, distribution, AE reporting, advertising, promotion, sampling, recordkeeping and post-marketing studies for the drug will be subject to extensive and ongoing or additional regulatory requirements on pharmacovigilance. These requirements include submissions of safety and other post-marketing information and reports, registration, random quality control testing, adherence to any CMC, variations, continued compliance with cGMPs, GCPs, good storage practices and good vigilance practices and potential post-approval studies for the purposes of license renewal.

Any regulatory approvals that we receive for our drug candidates may also be subject to limitations on the approved indicated uses for which the drug may be marketed or to the conditions of approval, or contain requirements for potentially costly post-marketing studies, including, if applicable, phase 4 trials for the surveillance and monitoring of the safety and efficacy of the drug.

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

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

The NMPA, the FDA and comparable regulatory authorities strictly regulate the marketing, labeling, advertising and promotion of drugs that are placed on the market. Drugs may be promoted only for their approved indications and for use in accordance with the provisions of the approved label. The NMPA, the FDA and other comparable regulatory authorities actively enforce the laws and regulations prohibiting the promotion of off-label uses, and a company that is found to have improperly promoted

off-label uses may be subject to significant liability. In addition, according to the Interim Administrative Measures for the Review of Advertisements for Drugs, Medical Devices, Health Food, and Formula Food for Special Medical Purposes (《藥品、醫療器械、保健食品、特殊醫學用途配方食品廣告審查管理暫行辦法》) which became effective from March, 2020, the advertisements for drugs shall not be released without being reviewed and the contents of a drug advertisement shall be based on the drug instructions approved by the drug administration departments.

Any government investigation of alleged violations of law could require us to expend significant time and resources and could generate negative publicity. Moreover, regulatory policies may change or additional government regulations may be enacted that could prevent, limit or delay regulatory approval of our drug candidates. If we are not able to maintain regulatory compliance, we may lose the regulatory approvals that we have already obtained and may not achieve or sustain profitability, which in turn could have a material adverse effect on our business, financial condition, results of operations and prospects.

Changes in laws and regulations relating to the pharmaceutical industry may result in additional compliance risks and costs.

In China, the U.S. and other jurisdictions, there have been, and we expect there will continue to be, a number of legislative and regulatory changes relating to the pharmaceutical industry and the healthcare system, including cost-containment measures that may reduce or limit coverage and reimbursement for newly approved drugs and affect our ability to profitably sell any drug candidates for which we obtain marketing approval. See "– Risks Relating to Commercialization of Our Drug Candidates – Our drug candidates may not be covered by insurance or reimbursement programs or may become subject to unfavorable insurance policies or reimbursement practices, either of which could harm our business, and we may be subject to unfavorable pricing regulations, which could make it difficult for us to sell our drugs profitably" in this section.

Although none of our drug candidates had been commercialized as of the Latest Practicable Date, these legislative trends and regulatory measures can potentially affect the sales, profitability and prospects of our drug candidates in the future. Moreover, these laws and regulations may evolve over time as new guidance becomes available. This evolution may result in continuing uncertainty regarding compliance matters and additional costs necessitated by ongoing revisions to our disclosure and governance practices. If we fail to address and comply with these laws and regulations and any subsequent changes, we may be subject to penalty and our business may be harmed.

We face regulation and potential liability related to privacy, data protection and information security which may require significant resources and may adversely affect our business, operations and financial performance.

We routinely receive, collect, generate, store, process, transmit and maintain medical data of subjects enrolled in our clinical trials. As a sponsor of clinical trials, we generally do not collect the personal information of our enrolled subjects. However, we may be subject to the relevant local, state, national and international data protection and privacy laws, directives regulations and standards that apply to the collection, use, retention, protection, disclosure, transfer and other processing of personal data in the various jurisdictions in which we operate and conduct our clinical trials, as well as contractual obligations.

In recent years, the PRC government has promulgated an increasing number of laws and regulations governing the various aspects of information security, data collection and privacy protection, including, among others, the Provisions on Protecting the Personal Information of Telecommunication and Internet Users (《電信和互聯網用戶個人信息保護規定》) which became effective from September 1, 2013, the Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》) which became effective from June 1, 2017, the Data Security Law of the PRC (《中華人民共和國數據安全法》) which became effective from September 1, 2021, the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》) which became effective from November 1, 2021, and the Measures for Cybersecurity Review (《網絡安全審查辦法》) which became effective from February 15, 2022. Under the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》), prior consent shall be obtained from the individual or other authorized parties, such as the parents or other guardians of minors under the age of fourteen when personal information is being processed, unless explicitly permitted under certain circumstances. Furthermore, any data processing activities in relation to sensitive personal information such as biometrics, medical health and personal information of teenagers under fourteen years old are not allowed unless such activities have a specific purpose, are highly necessary and strict protective measures have been taken. Certain industry-specific laws and regulations may also affect the collection and transfer of personal data in China, including Administrative Regulations on Human Genetic Resources of the People's Republic of China (《中華人民共和國人類遺傳資源管理條例》) issued by the State Council on May 28, 2019, which was amended on March 10, 2024 and became effective from May 1, 2024, and Detailed Rules for the Implementation of the Regulation on the Administration of Human Genetic Resources (《人類遺傳資源管理條例實施細則》) issued by the Ministry of Science and Technology which became effective from July 1, 2023. Breach of these laws and regulations may result in the confiscation of human genetic resources and relating illegal income (if any), being ordered to cease relevant activities, revocation of administrative license and administrative fines.

Such data protection and privacy laws and regulations generally require clinical trial sponsors and operators and their personnel to protect the privacy of their enrolled subjects and prohibit unauthorized disclosure of personal information. 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 administrative penalty and/or legal claims. Any change in the applicable laws and regulations could affect our ability to use medical data and subject us to liability for the improper use of such data.

We have taken measures to maintain the confidentiality of the medical records and personal data of subjects enrolled in our clinical trials we collected, including encrypting such information in our information technology system so that it cannot be viewed without proper authorization, and setting internal rules requiring our employees to maintain the confidentiality of our subjects' medical records. However, these measures may not be always effective. For example, our information technology systems could be breached through hacking activities, and personal information could be leaked due to theft or misuse of personal information arising from misconduct or negligence.

We also cooperate with third parties including PIs, CROs and other third-party 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.

We may be directly or indirectly subject to applicable anti-kickback, anti-bribery, false claims laws, physician payment transparency laws, fraud and abuse laws or similar healthcare and security laws and regulations in our major business operation locations. If we fail to comply with the relevant laws and regulations, it could expose us to criminal sanctions, civil penalties, contractual damages, reputational harm and diminished profits and future earnings.

If we obtain the NMPA's approval for any of our drug candidates and begin commercializing our drugs in China in the future, our operations may become subject to various PRC fraud and abuse laws, including the PRC Anti-Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》) and the Criminal Law of the PRC (《中華人民共和國刑法》). These laws may impact, among others, our proposed sales, marketing and education programs.

Law enforcement authorities are increasingly focused on enforcing these laws, and some of our practices may be challenged under these laws. Efforts to ensure that our business arrangements with third parties comply with applicable healthcare laws and regulations will involve substantial costs. Governmental authorities could conclude that our business practices may not comply with current or future statutes, regulations or case law involving applicable fraud and abuse or other healthcare laws and regulations. If any such actions are instituted against us, and if we are not successful in defending ourselves or asserting our rights, those actions could result in the imposition of civil, criminal and administrative penalties, damages, disgorgement, monetary fines, possible exclusion from participation in governmental healthcare programs, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of our operations, any of which could adversely affect our ability to operate our business and have a significant impact on our businesses and results of operations.

In addition, we are subject to anti-bribery laws in China that generally prohibit companies and their intermediaries from making payments to government officials for the purpose of obtaining or retaining business or securing any other improper advantage. The PRC government has taken increasingly stringent measures to correct corruptive practices in the pharmaceutical industry since 2023. For example, in May 2024, 14 governmental departments including the National Health Commission jointly issued the Work Priorities for Rectifying the Misconducts in the Purchase and Sale of Medicinal Products and Medical Services (2024) (《2024年糾正醫藥購銷領域和醫療服務中不正之風工作要點》), emphasizing the need to address prominent corruption issues in the healthcare industry, particularly to rectify the malpractice that may occur involving the medical industrial associations and during the process of the purchases and sales of medical products. Moreover, although currently our business operations are primarily in China, we are subject to the Foreign Corrupt Practices Act (the "**FCPA**"). The FCPA generally prohibits us from making improper payment to non-U.S. officials for the purpose of obtaining or retaining business. Failure to comply with anti-bribery laws could disrupt our business and lead to severe criminal and civil penalties, including imprisonment, criminal and civil fines, loss of our export licenses, suspension of our ability to do business with the government, denial of government reimbursement for our products and/or exclusion from participation in government healthcare programs.

We are subject to environmental protection, health and safety laws and regulations, and if we fail to comply with these laws and regulations, we could be subject to fines or penalties or incur costs that could have a material adverse effect on our business.

We are subject to numerous environmental, health and safety laws and regulations, including but not limited to the treatment and discharge of pollutants into the environment, the use of toxic and hazardous chemicals in the process of our business operations and fire prevention. In addition, if our construction projects are required to undergo inspection and acceptance by relevant administrative authorities in charge of environmental protection, health and safety in accordance with relevant laws and regulations, our construction projects shall only be put into production and operation after they have passed such inspection and acceptance. We cannot assure you that we will be able to obtain all the regulatory approvals for our construction projects in a timely manner, or at all. Delays or failures in obtaining all the requisite regulatory approvals for our construction projects may affect our abilities to develop, manufacture and commercialize our drug candidates as we plan. As requirements imposed by such laws and regulations is developing and more stringent laws or regulations may be adopted, we may not be able to comply with, or accurately predict any potential substantial cost of complying with, these laws and regulations. If we fail to comply with environmental protection, health and safety laws and regulations, we may be subject to rectification orders, substantial fines, potentially significant monetary damages, or production suspensions in our business operations. As a result, any failure by us to control the use or discharge of hazardous substances could have a material and adverse impact on our business, financial condition, results of operations and prospects.

In addition, we cannot fully eliminate the risk of accidental contamination, biological or chemical hazards or personal injury at our facilities during the process of discovery, testing, development and manufacturing of our drug candidates. In the event of such accident, we could be held liable for damages and clean-up costs which, to the extent not covered by existing insurance or indemnification, could harm our business. Other adverse effects could result from such liability, including reputational damage. We may also be required to close or suspend operations at certain of our affected facility temporarily, or permanently. As a result, any accidental contamination, biological or chemical hazards or personal injury could have a material and adverse impact on our business, financial condition, results of operations and prospects.

We do not maintain insurance for environmental liability or toxic tort claims that may be asserted against us. In addition, we may be required to incur substantial costs 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 production efforts. Failure to comply with these laws and regulations also may result in substantial fines, penalties or other sanctions. Any of the foregoing could materially adversely affect our business, financial condition, results of operations and prospects.

You may have limited resources in effecting service of process and enforce judgements against upon us, our Directors or management.

Substantially all of our assets and a substantial portion of the assets of our Directors and management are located in the PRC. Relevant PRC laws and regulations are applicable to effect service of process upon us, our Directors or management inside China or to enforce against us or them in China

any judgements obtained from non-PRC courts. As a result, investors may encounter difficulties in effecting service of process from outside the PRC upon us, our Directors or management, including matters arising under applicable securities laws. Moreover, a judgment obtained from a non-PRC court may be reciprocally recognized or enforced if the jurisdiction has a treaty with the PRC or if judgments of the PRC courts have been recognized before in that jurisdiction, subject to the satisfaction of other requirements.

In July 2006, the Supreme People's Court of the PRC and the government of Hong Kong Special Administrative Region entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "**Arrangement**"). Under the Arrangement, where any designated PRC court or any designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil or commercial case under a choice of court agreement in writing, any party concerned may apply to the relevant PRC court or Hong Kong court for recognition and enforcement of the judgment. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly selected as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in dispute have not agreed to enter into a choice of court agreement in writing. As a result, it may be difficult or impossible for investors to effect service of process against certain of our assets or Directors in China in order to seek recognition and enforcement of foreign judgments in China.

On January 18, 2019, the Supreme People's Court of the PRC and Hong Kong entered into an agreement regarding the scope of judgments which may be enforced between China and Hong Kong (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the "**New Arrangement**"). The New Arrangement became effective on January 29, 2024 both in China and in Hong Kong and replaced the Arrangement. The New Arrangement provides that the court where the judgment was sought could apply jurisdiction in accordance with the certain rules set forth in the New Arrangement without the parties' agreement. Although the New Arrangement has become effective, the outcome and effectiveness of any action brought under the New Arrangement may still be uncertain. We cannot assure you that an effective judgment that complies with the New Arrangement can be recognized and enforced in a PRC court or a Hong Kong court.

We may be subject to fines due to the lack of registration of our leases.

Pursuant to the Administrative Measures for Commodity Housing Leasing (《商品房屋租賃管理辦法》), which was promulgated by the Ministry of Housing and Urban-Rural Development of the PRC on December 1, 2010 and became effective on February 1, 2011, lease agreements are required to be registrated. As of the Latest Practicable Date, two of our lease agreements. We may be required by relevant government authorities to file these lease agreements for registration within a time limit, and may be subject to a fine for non-registration exceeding such time limit, which may range from RMB1,000 to RMB10,000 for each of the lease agreements.

We are subject to the regulations on currency conversion system.

We expect to receive a majority of any future revenues we earn in RMB. Under our current corporate structure, our Cayman Islands holding company may rely on dividend payments from our Group entities in the PRC to fund any cash and financing requirements we may have. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval of SAFE by complying with certain procedural requirements. Specifically, under the existing exchange policies, without prior approval of SAFE, cash generated from the operations of our PRC subsidiaries in the PRC may be used to pay dividends to our company. However, we need to obtain SAFE approval to use cash generated from the operations of our PRC subsidiaries to pay off their respective debt in a currency other than RMB owed to entities outside the PRC, or to make other capital expenditure payments outside the PRC in a currency other than RMB. Our failure to obtain sufficient foreign currencies to satisfy our foreign currency demands may have a material adverse impact on our ability to fund our operations and our ability to pay dividends in foreign currencies to our Shareholders.

The PRC Foreign Investment Law may evolve from time to time, which may impose new burdens on us.

The PRC Foreign Investment Law (the "**FIL**"), was enacted by the National People's Congress of the PRC on March 15, 2019, and became effective on January 1, 2020. The FIL replaces a trio of previous laws regulating foreign investment in China, namely, the Law of the PRC on Chinese-Foreign Joint Venture (《中華人民共和國中外合資經營企業法》), the Law of the PRC on Chinese-Foreign Contractual Joint Ventures (《中華人民共和國中外合作經營企業法》) and the Law of the PRC on Wholly Foreign-owned Enterprises (《中華人民共和國外資企業法》), together with their implementation rules and ancillary regulations. The FIL embodies an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments. The Regulation Implementing for the Foreign Investment Law of the PRC were promulgated by the State Council on December 26, 2019 and became effective on January 1, 2020. However, the evolvement of the FIL and its Implementation Rules may increase our compliance costs or set higher standards on our corporate governance practice. For instance, the FIL imposes information reporting requirements on foreign investors or foreign-invested enterprises. Failure to take timely and appropriate measures to cope with any of these or other regulatory compliance requirements under the FIL may lead to rectification obligations, penalties or other regulatory sanctions on us.

Any failure by the Shareholders or beneficial owners of our Shares to comply with PRC foreign exchange or other regulations relating to offshore investment activities could restrict our ability to distribute profits, restrict our overseas and cross-border investment activities and subject us to liability under PRC laws.

The SAFE has promulgated several regulations requiring PRC residents to register with local qualified banks before engaging in direct or indirect offshore investment activities, including the Circular of the State Administration of Foreign Exchange on Issues concerning Foreign Exchange Administration

over the Overseas Investment and Financing and Round-trip Investment by Domestic Residents via Special-Purpose Vehicles (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) (the "**SAFE Circular 37**"), issued and effective on July 4, 2014. SAFE Circular 37 requires PRC residents to register with local branches of the SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with assets or equity interests of onshore companies or offshore assets or interests held by the PRC residents, referred to in SAFE Circular 37 as a "special purpose vehicle." SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle. If a shareholder who is a PRC citizen or resident does not complete the registration with the local SAFE branches, the PRC subsidiaries of the special purpose vehicle may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to the special purpose vehicle, and the special purpose vehicle may be restricted to contribute additional capital to its PRC subsidiaries. Moreover, failure to comply with the various SAFE registration requirements described above may result in liabilities for the PRC subsidiaries of the special purpose vehicle under PRC laws for evasion of applicable foreign exchange restrictions, including (1) the requirement by the SAFE to return the foreign exchange remitted overseas within a period of time specified by the SAFE, with a fine of up to 30% of the total amount of foreign exchange remitted overseas and deemed to have been evasive, and (2) in circumstances involving serious violations, a fine of no less than 30% of and up to the total amount of remitted foreign exchange deemed evasive.

According to the Notice of the State Administration of Foreign Exchange on Issuing the Provisions on the Foreign Exchange Administration of the Overseas Direct Investments of Domestic Institutions (《國家外匯管理局關於發佈境內機構境外直接投資外匯管理規定的通知》) (the "**SAFE Circular 30**") and other regulations, if our shareholders who are PRC entities do not complete their registration with the competent SAFE, NDRC or MOFCOM branches, our PRC subsidiaries may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to us, and we may be restricted in our ability to contribute additional capital to our PRC subsidiaries. In addition, our shareholders may be required to suspend or stop the investment and complete the registration within a specified time, and may be warned or prosecuted for relevant liability. Moreover, failure to comply with the SAFE registration described above could result in liability under PRC laws for evasion of applicable foreign exchange restriction.

On February 13, 2015, SAFE promulgated the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), which came into effect on June 1, 2015, pursuant to which local banks shall review and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration under SAFE Circular 37 and SAFE Circular 30, while the application for remedial registrations shall still be submitted to, reviewed and handled by the relevant local branches of SAFE.

The implementation of the latest SAFE rules are developing. We are committed to complying with and to ensuring that our direct Shareholders who are subject to the regulations will comply with the relevant SAFE rules and other regulations. In addition, we may not always be fully aware or informed of the identities of our beneficiaries who are PRC nationals or entities, and may not be able to compel them to comply with SAFE Circular 37, SAFE Circular 30 or other regulations. We cannot assure you

that all of our Shareholders or beneficiaries will at all times comply with, or in the future make or obtain all applicable registrations or approvals required by SAFE rules or other regulations. Failure by any such shareholders to comply with SAFE rules or other regulations may result in restrictions on the foreign exchange activities of our PRC subsidiaries and may also subject the relevant PRC resident or entity to penalties under the PRC foreign exchange administration regulations.

We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business.

We are a holding company incorporated in the Cayman Islands, and we may rely on dividends and other distributions on equity paid by our PRC subsidiaries for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders or to service any debt we may incur. If any of our PRC subsidiaries incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. Under PRC laws and regulations, our PRC subsidiaries may pay dividends only out of their respective accumulated profits as determined in accordance with PRC accounting standards and regulations. In addition, our PRC subsidiary is required to set aside at least 10% of its accumulated after-tax profits each year, if any, to fund a certain statutory reserve fund, until the aggregate amount of such fund reaches 50% of its registered capital. Such reserve funds cannot be distributed to us as dividends. At its discretion, a our PRC subsidiary may allocate a portion of its after-tax profits based on PRC accounting standards to a discretionary reserve fund, or a staff welfare and bonus fund. A PRC company is not permitted to distribute any profits until any losses from prior fiscal years have been offset. In addition, registered share capital and capital reserve accounts are also restricted from withdrawal in China, up to the amount of net assets held in each operating subsidiary. Any limitation on the ability of our PRC subsidiaries to pay dividends or make other kinds of payments to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends to our investors or other obligations to our suppliers, or otherwise fund and conduct our business.

Under China's Enterprise Income Tax Law, we may be classified as a "resident enterprise" of China. This classification could result in unfavorable tax consequences to us and our non-PRC Shareholders.

Under the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法》) and its implementation rules, an enterprise established outside the PRC with "de facto management body" within China is considered a "resident enterprise" and will be subject to the enterprise income tax on its global income at the rate of 25%. The implementation rules define the term "de facto management body" as the body that exercises full and substantial control and overall management over the business, productions, personnel, accounts and properties of an enterprise. In 2009, the SAT, issued the Notice of the State Administration of Taxation on Issues about the Determination of Chinese-Controlled Enterprises Registered Abroad as Resident Enterprises on the Basis of Their Body of Actual Management (《國家税務總局關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) (the "**SAT Circular 82**"), which provides certain specific criteria for determining whether the "de facto management

body" of a PRC-controlled enterprise that is incorporated offshore is located in China. Although this circular only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners, the criteria set forth in the circular may reflect SAT's general position on how the "de facto management body" text should be applied in determining the tax resident status of all offshore enterprises. According to SAT Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its "de facto management body" in China and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in China; (ii) decisions relating to the enterprise's financial and human resource matters are made or are subject to approval by organizations or personnel in China; (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholder resolutions, are located or maintained in China; and (iv) at least 50% of voting board members or senior executives habitually reside in China.

We believe none of our entities outside China is a PRC resident enterprise for PRC tax purposes. However, if the PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, we could be subject to PRC tax at a rate of 25% on our worldwide income, which could materially reduce our net income, and we may be required to withhold a 10% withholding tax from dividends we pay to our shareholders that are non-resident enterprises, including the holders of our Shares. In addition, non-resident enterprise shareholders may be subject to PRC tax at a rate of 10% on gains realized on the sale or other disposition of Shares, if such income is treated as sourced from within China. Furthermore, if we are deemed a PRC resident enterprise, dividends payable to our non-PRC individual shareholders and any gain realized on the transfer of Shares by such shareholders may be subject to PRC tax at a rate of 10% in the case of non-PRC enterprises or a rate of 20% in the case of non-PRC individuals unless a reduced rate is available under an applicable tax treaty. It is subject to future interpretation on whether our non-PRC shareholders would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on your investment in the Shares.

Failure to comply with PRC regulations regarding the registration requirements for employee stock ownership plans or share option plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

Under the applicable regulations and SAFE rules, PRC citizens who participate in an employee stock ownership plan or a stock option plan in an overseas publicly listed company are required to register with SAFE and complete certain other procedures. In February 2012, SAFE promulgated the Notices on Issues concerning the Foreign Exchange Administration of Domestic Individuals; Participation in Equity Incentive Plans of Overseas Listed Companies (《關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》) (the "**Stock Option Rules**"), which replaced the Operating Rules on the Foreign Exchange Administration of the Domestic Individuals in the Employee Stock Ownership Plans or, Share Option Plans, Etc of Overseas Listed Companies (《境內個人參與境外上市公司員工持股計劃和認股期權計劃等外匯管理操作規程》) issued by SAFE in March 2007. Pursuant to the Stock Option Rules, if a PRC resident or a non-PRC citizen residing in China for a continuous period of not less than one year participates in any stock incentive plan of an overseas publicly listed company, a qualified PRC domestic

agent must, among other things, file on behalf of such participant an application with SAFE to conduct the SAFE registration with respect to such stock incentive plan and obtain approval for an annual allowance with respect to the purchase of foreign exchange in connection with the exercise or sale of stock options or stock such participant holds. Such participating PRC residents' foreign exchange income received from the sale of stock and dividends distributed by the overseas publicly listed company must be fully remitted into a PRC collective foreign currency account opened and managed by the PRC agent before distribution to such participants. We and our PRC resident employees who have been granted stock options or other share-based incentives of ours will be subject to the Stock Option Rules when our company becomes an overseas listed company upon the completion of this **[REDACTED]**. If we or our PRC resident participants fail to comply with these regulations, we and/or our PRC resident participants may be subject to fines and legal sanctions.

RISKS RELATING TO OUR FINANCIAL POSITION AND NEED FOR ADDITIONAL CAPITAL

We have incurred losses since inception. We expect to continue to incur losses for the foreseeable future and may not be able to generate sufficient revenue to achieve or maintain profitability.

Investment in the development of pharmaceutical products is highly speculative as it entails substantial upfront expenditures and significant risks that a drug candidate may fail to demonstrate efficacy and safety to gain regulatory or marketing approvals or become commercially viable. During the Track Record Period, we financed our operations primarily through equity and debt financing. We had not generated any revenue from the sales of commercialized products as of the Latest Practicable Date, and we continue to incur significant research and development expenses and other expenses related to our ongoing operations. As a result, we are not profitable and have incurred significant losses since our inception. For the years ended December 31, 2022 and 2023, and the six months ended June 30, 2024, our losses were RMB172.8 million, RMB196.0 million and RMB236.6 million, respectively.

Substantially all of our losses during the Track Record Period resulted from our research and development expenses, administrative expenses and finance costs. See "Financial Information – Description of Selected Items of Combined Statements of Profit or Loss and Other Comprehensive Income" in this document. Our ability to generate revenue and achieve profitability depends significantly on our success in advancing drug candidates into later stages of clinical development, and obtaining regulatory approvals for each drug candidate, which we may not be able to do in a timely manner or at all.

We expect to continue to incur losses in the foreseeable future and that these losses may increase if and as we, among others:

- continue to advance the clinical trials and pre-clinical studies of our product pipeline;
- seek to discover or develop additional drug candidates and initiate pre-clinical, clinical or other studies for these new drug candidates to further expand our product pipeline;

- seek regulatory approvals for our drug candidates to complete clinical development and commence commercialization;
- manufacture our drug candidates for clinical trials and for commercial sale;
- commercialize any drug candidates in our pipeline for which we may obtain regulatory approval;
- acquire or in-license other drug candidates, intellectual property assets and technologies;
- develop, maintain, expand and protect our intellectual property portfolio;
- attract and retain skilled personnel;
- create additional infrastructure to support our product development and planned future commercialization efforts; and
- incur additional legal, accounting, investor relations, insurance and other expenses associated with operating as a **[REDACTED]** following the completion of the **[REDACTED]**.

Even if we manage to achieve profitability in the future, we may not be able to sustain or increase profitability on an ongoing basis. Our 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 may also impact investors' perception of the potential 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 Shares. A decline in the **[REDACTED]** of our Shares could cause potential investors to lose all or part of their investment in our business.

We had net cash outflows used in operating activities, net liabilities and net current liabilities during the Track Record Period, which may continue into the foreseeable future and expose us to liquidity risk.

We had net current liabilities of RMB455.2 million, RMB639.8 million and RMB799.7 million as of December 31, 2022 and 2023 and June 30, 2024. See "Financial Information – Liquidity and Capital Resources – Net Current Assets/(Liabilities)" in this document. We had net liabilities of RMB368.6 million, RMB564.7 million and RMB655.7 million as of December 31, 2022 and 2023 and June 30, 2024, respectively. Since 2019, we entered into a series of collaboration agreements with the Strategic Collaborators. Therefore, we recorded long-term payables and payables to the Strategic Collaborators, which contributed to our net liabilities position during the Track Record Period. See "Financial Information – Discussion of Selected Items From the Combined Statements of Financial Position" and "Business – Collaboration Agreements – Collaboration Agreement With the Strategic Collaborators" in this document. Net current liabilities and net liabilities positions 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.

See also "– We may need to obtain substantial additional financing to fund our operations and expansion, and if we fail to do so, we may be unable to complete the development and commercialization of our drug candidates" in this section.

We had net cash used in operating activities of RMB58.9 million, RMB96.4 million and RMB49.0 million for the year ended December 31, 2022 and 2023, and for the six months ended June 30, 2024, respectively. We may have net cash used in operating activities from time to time. 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 expansion, and if we fail to do so, we may be unable to complete the development and commercialization of our drug candidates.

During the Track Record Period, we financed our operations primarily through equity and debt financing. We expect to fund our future operations primarily with existing cash and cash equivalents, available financing facilities and **[REDACTED]** from the **[REDACTED]**. Going forward, in the event of a successful commercialization of one or more of our drug candidates, we expect to fund our operations with revenue generated from sales of our commercialized drug products. Changes in our ability to fund our operations may affect our cash flow and results of operations. We may require substantial additional capital to meet our continued operating cash requirements, especially to fund our research and development activities, commercialization of our drug candidates and development or expansion of manufacturing capabilities. Our future funding requirements will depend on many factors, including but not limited to:

- the progress, timing, scope and costs of our clinical trials, including the ability to timely identify and enroll patients in our planned and potential future clinical trials;
- the outcome, timing and cost of regulatory approvals of our drug candidates;
- the progress, timing, scope and costs related to discovery and early development of additional drug candidates;
- the preparation required for anticipated commercialization of our drug candidates, and if regulatory approvals are obtained, to fund the product launch;

- the manufacturing requirements and capabilities related to clinical development and future commercialization for any approved drug candidates;
- the amount and timing of any milestone payments we receive from or pay to our current or future collaborators;
- the cost of filing, prosecuting, defending and enforcing any patent claims or other intellectual property rights;
- the cash requirements of any future acquisitions; and
- our headcount growth and the associated costs.

As our business continues to expand, we may seek additional funding through equity offerings, debt financings, license and collaboration arrangements and other sources, which may not be available on terms favorable or commercially reasonable to us or at all.

Our ability to raise funds will also depend on the prevailing financial, economic and market conditions and factors from other aspects, such as our relationship with commercial banks, 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 the commercialization of one or more of our drug candidates, which may adversely affect our business prospects.

We have a limited operating history, which may make it difficult to predict our future performance.

We are a biopharmaceutical company that started operations in 2017. We primarily focus on developing innovative cell therapy products derived from PSCs for the treatment of a variety of medical conditions. As of the Latest Practicable Date, we had no products approved for commercial sale. Our limited operating history, particularly in light of the rapidly evolving cell therapy field, may make it difficult to evaluate our current business and predict our future performance. Our short history makes any assessment of our future success or viability subject to significant uncertainty. We will encounter risks and difficulties frequently experienced by early-stage companies in rapidly evolving fields. If we do not address these risks successfully, our business will suffer, and accordingly these risks may cause potential investors to lose substantially all of their investment in our business.

We are entitled to certain government grants during the Track Record Period, and the reduction or elimination of which would have an adverse effect on our results of operations.

We recognized government grants related to income of RMB1.4 million, RMB2.2 million and RMB70 thousand for the year ended December 31, 2022 and 2023, and for the six months ended June 30, 2024, respectively. The timing, amount and criteria of government financial incentives are determined at the sole discretion of the PRC local government authorities and cannot be predicted with certainty before we actually receive any financial incentive. We do not have the ability to influence local government

authorities in making these decisions. Local government authorities may decide to reduce or eliminate incentives at any time. Any reduction or elimination of government grants we received may have an adverse effect on our results of operations.

We may incur impairment losses for other receivables, deposits and prepayments.

During the Track Record Period, our other receivables, deposits and prepayments primarily included receivables for capital contribution from shareholders of Suzhou Zephyrm, prepayment for inventories and clinical fees, prepayment for property, plant and equipment, VAT input tax to be deducted or refunded, rental deposits due from third parties, receivables due from related parties and capitalized **[REDACTED]** in relation to the **[REDACTED]**. Our other receivables, deposits and prepayments amounted to RMB7.0 million, RMB14.7 million and RMB35.7 million, as of December 31, 2022 and 2023, and June 30, 2024, respectively. During the Track Record Period, we did not record impairment loss for other receivables, deposits and prepayments. However, we may incur such impairment losses in the future. The assessment of impairment losses involves a significant degree of management judgments as well as estimates in determining the key assumptions, and unpredictable adverse changes in the future may also result in decreases in the value of our other receivables, deposits and prepayments.

Therefore, we cannot assure you that these assumptions and estimates would not result in outcomes that require a material adjustment to the carrying amounts of our other receivables, deposits and prepayments in the future, which may in turn result in impairment losses. Any significant impairment losses of prepayments and other receivables in the future could have an adverse effect on our business, financial condition and results of operations.

We may face risk regarding the obsolescence for our inventories.

During the Track Record Period, our inventories primarily consisted of raw materials and consumables. Our inventories amounted to RMB3.4 million, RMB2.5 million and RMB1.9 million, as of December 31, 2022 and 2023, and June 30, 2024, respectively. During the Track Record Period, we have not identified material inventory items requiring impairment provision. However, we cannot assure you that our inventory management system will be effective in the future and forecasts for our inventory levels are inherently uncertain. If our forecast demand is higher than actual demand, we may face risk of inventory obsolescence or write-offs, which may increase our inventory holding costs. Furthermore, as our business expands, our inventory level may increase and our inventory obsolescence risk may also increase accordingly, which could materially and adversely affect our financial condition and results of operations.

We may incur impairment losses for intangible assets which could materially impact our financial position.

During the Track Record Period, our intangible assets primarily included computer software and licensed-in know-how. Our intangible assets amounted to RMB77.8 million, RMB243.4 million and RMB236.7 million as of December 31, 2022 and 2023 and June 30, 2024, respectively. See "Financial Information – Discussion of Selected Items From the Combined Statements of Financial Position – Intangible Assets" in this document.

We assess whether there are any indicators of impairment for intangible assets at the end of each of the Track Record Period. Intangible 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. In determining fair values, various applicable valuation techniques (e.g. discounted cash flows or market approach) are used, with significant unobservable inputs including expected volatility, discount for lack of marketability and risk free rates, etc. See "Financial Information – Material Accounting Policies and Critical Accounting Judgments and Estimates – Critical Accounting Estimates and Judgements – Impairment of Non-Financial Assets" in this document. We may incur impairment losses for intangible assets in the future, which may materially and adversely reduce our assets and impact our profitability that could, in turn, have an adverse effect on our financial position.

Change in fair value of financial instruments with preferred rights may affect our financial condition and results of operations.

Our financial instruments with preferred rights represented preferred shares that we issued to certain investors. As of December 31, 2022 and 2023 and June 30, 2024, we had financial instruments with preferred rights of RMB339.5 million, RMB739.5 million and RMB800.9 million. During the Track Record Period, our net fair value losses on financial instruments with preferred rights represented fair value change in the preferred shares we issued to the pre-**[REDACTED]** investors. For the years ended December 31, 2022 and 2023 and the six months ended June 30, 2024, we recorded net fair value losses on financial instruments with preferred rights of RMB79.5 million, RMB60.5 million and RMB28.6 million, respectively.

The valuation of financial instruments with preferred rights involves unobservable judgments and adjustments. While these adjustments and judgments aim to represent the best estimate of market data, there could be potential deviations that lead to inaccurate estimates of our valuation. Any change in the fair value of our financial instruments with preferred rights and related valuation uncertainty, for example, resulted from the use of unobservable inputs, could materially affect our financial position and performance. For more details of financial instruments with preferred rights, see Note 27 to the Accountant's Report in Appendix I to this document.

RISKS RELATING TO OUR OPERATIONS

The loss of any key members of our senior management team or our inability to attract and retain highly skilled and qualified employees could adversely affect our business.

We are highly dependent the expertise and insights of our senior management. In addition, recruiting and retaining qualified scientific, clinical, manufacturing and sales personnel in the future will also be critical to our success. The loss of services of any of these individuals could delay or prevent the successful development of our drug candidates and achievement of our commercialization objectives.

Although we have not historically experienced unique difficulties in attracting and retaining qualified employees, we may experience such problems in the future. Competition for qualified employees in the pharmaceutical industry is intense and the pool of qualified candidates is limited. The departure

of one or more of our senior management or key personnel, regardless of whether or not they join a competitor or form a competing company, may subject us to risks relating to replacing them in a timely manner or at all, which may disrupt our operations and have a material and adverse effect on our business and results of operations. In addition, we will need to hire additional employees as we build and expand our commercialization team. We may not be able to attract and retain qualified employees on acceptable terms.

As we have significantly increased the size and capabilities of our organization since our inception, we may experience difficulties in managing our growth.

As our development and commercialization plans and strategies evolve, we must add a significant number of additional managerial, operational, manufacturing, sales, marketing, financial and other personnel. Our recent and any future growth will impose significant added responsibilities on members of management, including:

- identifying, recruiting, integrating, maintaining and motivating additional employees;
- managing our relationships with third parties, including suppliers and partners;
- managing our internal development efforts effectively, including the clinical and regulatory authority review process for our drug candidates, while complying with our contractual obligations to contractors and other third parties; and
- improving our operational, financial and management controls, reporting systems and procedures.

Our future financial performance and our ability to commercialize our drug candidates will depend, in part, on our ability to effectively manage our growth, and our management may also have to divert a disproportionate amount of its attention away from day-to-day activities in order to implement our long-term development strategies.

If we are not able to effectively manage our growth and further expand our organization, we may not be able to successfully develop and commercialize our drug candidates and, accordingly, may not achieve our research, development and commercialization goals. Our failure to do so could materially adversely affect our business, financial condition, results of operations and prospects.

We may engage in acquisitions or strategic partnerships in the future, which may increase our capital requirements, cause dilution for our Shareholders, cause us to incur debt or assume contingent liabilities or subject us to other risks.

From time to time, to enhance our growth, we may evaluate various acquisition and strategic partnership opportunities that we believe would benefit us in terms of product development, technology advancement or distribution network. Any completed, in-process or potential acquisition or strategic partnership may entail numerous risks, including:

- substantial time and expenses incurred during negotiation, which do not guarantee the successful consummation of an acquisition or strategic partnership;
- impact on our financial results, such as occurrence of goodwill impairment charges and amortization expenses for intangible assets;
- increased operating expenses and cash requirements;
- the assumption of additional indebtedness or contingent or unforeseen 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, or failure to otherwise achieve intended synergies in the combined operations;
- the diversion of our management's attention from our existing product programs and initiatives in pursuing such a strategic merger 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 other party to such a transaction, including the prospects of that party and their existing drugs or drug 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
- deficiencies in internal controls, data adequacy and integrity, product quality and regulatory compliance, and product liabilities in the acquired business we discover after such acquisition, which may subject us to penalties, lawsuits or other liabilities.

We may not be able to identify attractive targets, and we have limited experience in acquisitions. In addition, we may not be able to successfully acquire the targets identified despite spending a significant amount of time and resources on pursuing such acquisition. Furthermore, integration of an acquired company, its intellectual property or technology into our own operations is a complex, time-consuming and expensive process. The successful integration of an acquisition may require, among other things, that we integrate and retain key management, R&D and other personnel, integrate the acquired technologies or services from both an engineering and a sales and marketing perspective, integrate and support preexisting supplier, distribution and customer relationships, coordinate research and development efforts, and consolidate duplicate facilities and functions. The geographic distance between companies, the complexity of the technologies and operations being integrated, and the disparate corporate cultures being combined

may increase the difficulties of integrating an acquired company or technology. In addition, if we undertake acquisitions, we may issue dilutive securities, assume or incur debt obligations, incur large one-time expenses, and acquire intangible assets that could result in significant future amortization expense.

Our Directors, employees, and our business partners may engage in misconduct or other improper activities, including non-compliance with regulatory standards and requirements, which could harm our reputation and subject us to penalties and significant expenses that have a material and adverse effect on our business, financial condition and results of operations.

We are subject to the anti-bribery laws of various jurisdictions, particularly in China and the U.S. As our business expands, the applicability of the anti-bribery laws to our operations will increase. We may be exposed to fraud, bribery or other misconduct committed by our employees and the PIs, CROs and other commercial partners we collaborate with that could subject us to financial losses and sanctions imposed by government authorities, which may adversely affect our reputation. Our procedures and controls to monitor compliance with anti-bribery law may fail to protect us from reckless or criminal acts committed by our employees or our commercial partners. We could be liable for actions taken by them that violate anti-bribery, anti-corruption and other related laws and regulations in China, the U.S. or other jurisdictions. The government authorities may limit the sales of the products involved in any illegal or improper conduct engaged in by our employees or commercial partners. We may be subject to claims, fines or suspension of our operations. Our reputation, our sales activities or the price of our Shares could be adversely affected if we are associated with any negative publicity as a result of illegal or improper actions, or allegations of illegal or improper actions, taken by our employees or commercial partners.

During the Track Record Period and up to the Latest Practicable Date, we were not aware of any instances of fraud, bribery, or other misconduct involving employees and other third parties that had any material and adverse impact on our business and results of operations. However, we cannot assure you that there will not be any such instances in future. Any such misconduct committed against our interests, including past acts that have gone undetected or future acts, may have a material adverse effect on our business and results of operations.

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. In addition to the intellectual properties related litigations we may face as mentioned in "– We may become involved in lawsuits to protect or enforce our intellectual property, which could be expensive, time-consuming and unsuccessful" and "– If we are sued for infringing, misappropriating or otherwise violating intellectual property rights of third parties or engaging in unfair competition, such litigation could be costly and time-consuming and could prevent or delay us from developing or commercializing our drug candidates", we may also be involved in disputes or litigations relating to other issues, among others, breach of contract, environmental matters, and employment. Any claims, disputes or legal proceedings initiated by us or brought against us, with or without merit, may result in substantial costs and diversion of resources, and if we are unsuccessful, could materially harm our reputation. Furthermore, claims, disputes or legal proceedings against us may be due to actions taken by

our counterparties, such as our suppliers, CROs and other service providers. Even if we are able to seek indemnity from them, they 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.

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 the PRC laws and regulations as well as based on our assessment of our operational needs and industry practice. In line with industry practice in China, we have elected not to maintain certain types of insurance, such as insurance for environmental liability. Our insurance coverage may be insufficient to cover any claims that we may have. Any liability or damage to, or caused by, our facility or our personnel beyond our insurance coverage may result in our incurring substantial costs and a diversion of resources and may negatively impact our drug development and overall operations.

Increased labor costs may slow our growth and affect our operations.

Since our operations are labor-intensive and our operations, to a certain extent, require the use of technical skills and know-how of our employees, our success depends in part on our ability to attract, retain and motivate a sufficient number of qualified employees. We have implemented a number of initiatives in an effort to attract, retain and motivate our qualified and competent staff. There is no assurance that these measures will be effective or that supply of skilled labor in local markets will be sufficient to fulfill our needs. Competition for competent and skilled labor is intensive in the industry. Our failure to hire and retain enough skilled employees could delay the anticipated pre-clinical studies or clinical trials timeframe or receipt of regulatory approvals to commercialize our drug candidates, or result in our expenses exceeding our initial budget. Any of the foregoing changes could have a material adverse effect on our business, profitability and prospects.

Further, substantially our entire workforce is employed in China. The average labor cost in China has been steadily increasing over the past years as a result of government-mandated wage increases and other changes in the PRC labor laws. Further changes in the labor laws, rules and regulations may be promulgated by the Chinese government in the future and our operations may be materially adversely affected if such laws, rules or regulations impose additional burden on the employers. The labor cost will continue to increase in the future which is in line with the economic growth in China. Competition for employees would require us to pay higher wages, which would result in higher labor costs.

We may be subject to natural disasters, acts of war or terrorism, epidemics or other factors beyond our control.

Our operations may be under the threat of floods, earthquakes, sandstorms, snowstorms, fire or drought, power, water or fuel shortages, failures, malfunction and breakdown of information management systems, unexpected maintenance or technical problems, or may be susceptible to potential wars or terrorist attacks. Serious natural disasters may result in loss of lives, injury, destruction of assets and

disruption of our business and operations. Acts of war or terrorism may also injure our employees, cause loss of lives, disrupt our business network and destroy our markets. Any of these factors and other factors beyond our control could have an adverse effect on the overall business sentiment and environment, cause uncertainties in the regions where we conduct business, cause our business to suffer in ways that we cannot predict and materially and adversely impact our business, financial conditions and results of operations.

Our business could be adversely affected by the effects of epidemics, including COVID-19, avian influenza, severe acute respiratory syndrome (SARS), influenza A (H1N1), Ebola or another epidemic. Any such occurrences could cause severe disruption to our daily operations and may even require a temporary closure of our offices and laboratories.

Our internal information technology systems, or those used by our business partners, may fail or suffer security breaches.

Despite the implementation of security measures, our information technology systems and those of our current or future business partners are vulnerable to damage from cyber-attacks, computer viruses, malicious codes, unauthorized access, employee theft or misuse, natural disasters, fire, power loss, terrorism, war, and telecommunication and electrical failures, among other things. If such an event were to occur and cause interruptions in our operations, it could result in a material disruption of our research and development programs. For example, our data may not be backed up in a timely manner and the loss of clinical trial data from ongoing or future clinical trials for any of our drug candidates could result in delays in regulatory approval efforts and significantly increase costs to recover or reproduce the data. In addition, a security breach may result in the loss of, damage to, or public disclosure of personally identifiable information, and such an event could have serious negative consequences, including disputes, regulatory action, investigation, litigation, fines, penalties and damages, and time-consuming and expensive litigation, any of which could have a material adverse effect on our business, financial conditions, results of operations, and prospects.

Our reputation is important to our business success, and damage to our reputation may adversely affect our business.

We, our Shareholders, Directors, employees, collaboration partners, suppliers, or other third parties we cooperate with or rely on may be subject to negative media coverage and publicity from time to time. Such negative coverage in the media and publicity could threaten the perception of our reputation. In addition, to the extent our Shareholders, Directors, employees, collaboration partners, suppliers or other third parties we work with or rely on were non-compliant with any laws or regulations, we may also suffer negative publicity or harm to our reputation. Any negative publicity regarding our industry could also affect our reputation and commercialization. As a result, 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.

We may not be able to renew our current leases or locate desirable alternatives for our offices and R&D or manufacturing facilities.

As of the Latest Practicable Date, we leased eight properties in China with an aggregate GFA of approximately 5,665.3 sq.m. 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.

Our risk management and internal control systems may not fully protect us against various risks inherent in our business.

We have established risk management and internal control systems consisting of the relevant organizational framework policies, risk management policies and risk control procedures to manage our risk exposures, primarily our operational risks, legal risks and financial risks. However, we may not be successful in implementing our risk management and internal control systems. While we seek to continue to enhance such systems from time to time with future expansion of our business, we cannot assure you that our risk management and internal control systems are adequate or effective notwithstanding our efforts, and any failure to address any potential risks and internal control deficiencies could materially and adversely affect our business, financial condition and results of operations.

Since our risk management and internal control systems depend on the implementation by our employees, we cannot assure you that all of our employees will adhere to such policies and procedures, and the implementation of such policies and procedures may involve human errors or mistakes. Moreover, our growth and expansion may affect our ability to implement stringent risk management and internal control policies and procedures as our business evolves. If we fail to timely adopt, implement and modify, as applicable, our risk management and internal control policies and procedures, our business, financial condition and results of operations could be materially and adversely affected.

Changes in the economic, political or social conditions in our major operation location may materially and adversely affect our business, financial condition, results of operations and prospects.

We generate a substantial portion of our revenue from our operations in China. Accordingly, our business, results of operations, financial condition and prospects are subject to and influenced by the economic, political and social conditions in China. The PRC economy has experienced significant growth over the past decades since the implementation of China's reform and opening-up policy. In recent years, the PRC government has implemented measures emphasizing the utilization of market forces in economic reform and the establishment of sound corporate governance practices in business enterprises. These economic reform measures may be adaptively adjusted from industry to industry or across different regions of the country. The overall economic growth is influenced by the governmental regulations and policies

in relation to capital investments, monetary policies, regulations of financial services and institutions, preferential treatment to particular industries or companies and others. If the business environment in China changes, our business and its growth prospects may be adversely affected.

We cannot predict future changes in China's economic, political and social conditions and the effect that new government policies would have on our business and prospects. Any actions and policies adopted by the PRC government could adversely affect our business, results of operations, financial condition and competitive position.

Changes in and international trade policies may affect our business operations.

The U.S. government has recently made significant changes in its trade policy and has taken certain actions that may materially impact international trade, such as imposing several rounds of tariffs. It is unknown whether and to what extent new tariffs (or other new laws or regulations) will be adopted, or the effect that any such actions would have on us or our industry.

While we have not started commercialization of any of our drug candidates, any unfavorable government policies on international trade, such as capital controls or tariffs, may affect the demand for our future drug products, the competitive position of our future drug products, the hiring of scientists and other research and development personnel, and import or export of raw materials in relation to drug development, or may prevent us from selling our future drug products in certain countries. If any new tariffs, legislation and regulations are implemented, or if existing trade agreements are renegotiated, such changes could have an adverse effect on our business, financial condition and results of operations.

The evolving trade disputes may escalate going forward and may result in certain types of goods, such as advanced research and development equipment and materials, becoming significantly more expensive to procure from overseas suppliers or even becoming illegal to export. Furthermore, there can be no assurance that our existing or potential service providers or collaboration partners will not alter their perception of us or their preferences as a result of adverse changes to the state of political relationships among the relevant countries or regions. Trade disputes, tensions and political concerns among the relevant countries or regions may therefore adversely affect our business, financial condition, results of operations, cash flows and prospects.

Fluctuations in exchange rates could result in foreign currency exchange losses, which could adversely affect our business and financial condition.

The value of RMB against the Hong Kong dollar and other currencies may fluctuate and is affected by, among other things, changes in political and economic conditions and in China and around the world, China's foreign exchange policies. A substantial amount of our operating costs and our financial assets are denominated in RMB. However, the **[REDACTED]** from the **[REDACTED]** will be denominated in Hong Kong dollars. Any significant change in the exchange rate of the Hong Kong dollar against RMB, of the Hong Kong dollar against USD, or of RMB against USD may give rise to foreign exchange gains or losses that would impact our results of operations, and affect the value of dividends payable on our Shares in Hong Kong dollars, if any.

RISKS RELATING TO OUR RELIANCE ON THIRD PARTIES

We rely, and expect to continue to rely, on CROs, PIs and other third parties to conduct the clinical trials for our product candidates. We do not have full control over the conduct of such trials and those third parties may not perform satisfactorily, including failing to meet deadlines for the completion of such trials or failing to comply with applicable regulatory requirements.

We have engaged in the past and plan to continue to work with third-party collaborators, such as CROs and PIs to execute certain aspects of our clinical trials. Our reliance on these third parties for clinical development activities may reduce our control over these activities, in particular in the setting of IITs where we do not control the behavior of the PIs or the accuracy or integrity of the data generated in those trials. However, our reliance on third parties will not relieve us from responsibilities. For example, we are responsible for ensuring that each of our studies is conducted in accordance with the applicable protocol, legal and regulatory requirements and scientific standards. If we or any of third parties we work with fail to comply with applicable legal and regulatory requirements and scientific standards, the clinical data generated in our clinical trials may be deemed unreliable and the NMPA, the FDA or comparable regulatory authorities may require us to perform additional clinical trials before approving our marketing applications.

If any of our relationships with CROs, PIs and other third parties terminate, we may not be able to enter into arrangements with alternative third parties or to do so on commercially reasonable terms. In addition, as the CROs, PIs and other third parties we work with are not our employees, we cannot control whether or not they devote sufficient time and resources to our ongoing clinical and pre-clinical studies. If these third parties do not successfully carry out their contractual duties or obligations or meet expected deadlines, or if the quality or accuracy of the clinical data they obtain is compromised due to failure to adhere to our clinical protocols, 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 product candidates. As a result, our results of operations and the commercial prospects for our product candidates would be harmed, our costs could increase and our ability to generate revenues could be delayed.

In addition, switching or adding CROs, PIs and other third parties also involves additional cost and delays, which can materially influence our ability to meet our desired clinical development timelines, and therefore adversely affect our business, financial condition and prospects.

Our rights to develop and commercialize our drug candidates are subject, in part, to the terms and conditions of licenses granted to us by others.

We rely on licenses to certain patent rights from third parties that are important or necessary to the development, manufacture or commercialization of our drug candidates. For example, under the collaboration agreements and Supplemental Agreement we entered into with the Strategic Collaborators, we were granted the rights under the intellectual property rights related to two hESC lines and differentiation pathways of M cells, mDAP cells and RPE cells worldwide controlled by them to research,

develop, manufacture, offer for sale, and commercialize relevant stem cell-derived therapeutic products for the treatment of all potential indications. See "Business – Collaboration Agreements – Collaboration Arrangement With the Strategic Collaborators" in this document.

If our collaboration with the Strategic Collaborators, is terminated, we may not be able to utilize such issued patents and/or patent applications which shall be granted subsequently for the development and commercialization of our drug candidates. As a result, we may need to negotiate further commercial arrangements with the Strategic Collaborators, or any other party then holding the rights to the applicable technologies, which may affect our ability to develop and commercialize our drug candidates as planned, or at all, and divert management attention. See "Business – Collaboration Agreements – Collaboration Arrangement With the Strategic Collaborators" in this document.

The licenses we hold may not provide exclusive rights to use such intellectual property in all relevant fields of use or in all territories in which we may wish to develop or commercialize our future approved drugs. As a result, we may not be able to develop, export or sell our drug products outside the fields or territories as stipulated by the license and collaboration agreements or prevent competitors from developing and commercializing competitive drug products in territories included in all of our licenses.

In addition, we may not have the right to control the preparation, filing, prosecution, maintenance, enforcement or defense of patents and patent applications that we in-license from third parties. Therefore, we cannot be certain that these patents and patent applications will be prepared, filed, prosecuted, maintained, enforced and defended in a manner consistent with the best interests of our business. If our licensing partners fail to prosecute, maintain, enforce or defend such patents, or lose rights to those patents or patent applications, the rights we have in-licensed may be reduced or eliminated, and our right to develop and commercialize any of our drugs that are subject to such licensed rights could be adversely affected. Our licensing partners may have relied on third-party consultants or collaborators or on funds from third parties, or on upstream licenses from third parties, such that our licensing partners may not the sole and exclusive owners of the intellectual property rights we in-license. This could have a material adverse effect on our competitive position, business, financial condition, results of operations and prospects.

Such license agreements set out various procedures and timelines with respect to, among other matters, clinical development, commercialization, and financial obligations such as milestone payments and royalties. The terms of these agreements are complex and can be subject to multiple interpretations. The resolution of any disagreements arising from these agreements could, for example, eliminate or narrow what we believe to be the scope of our rights to the relevant intellectual properties or technologies, or increase what we believe to be our financial or other obligations under the relevant agreements. If we fail to comply with our obligations under our current or future license agreements, our counterparties may have the right to terminate such agreements, in which event we might lose the ability to develop, manufacture or market certain drugs, or face claims for monetary damages or other penalties under the respective agreements. Reduction or elimination of our rights under such agreements may force us to negotiate new or restated agreements with less favorable terms, or cause disruptions to our ongoing activities carried out in reliance of such rights, including our rights to important intellectual properties and technologies.

Moreover, if any of our licensing or collaboration partners encounter financial problems or changes in business focus, some or all of our rights under the license agreements or collaboration may be terminated. As such, competitors would have the freedom to seek regulatory approval of, and to market, products identical to ours. Any of these events could have a material adverse effect on our competitive position, business, financial condition, results of operations and prospects.

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

During the Track Record Period, we relied on third parties to supply certain raw materials and products used in our R&D and the manufacturing of drugs for clinical trials. We expect to continue to rely on third parties to supply raw materials for the research, development and commercialization of our drug candidates.

Any disruption in production or the inability of our suppliers to provide adequate quantities to meet our needs could impair our operations and our R&D and manufacturing of drug candidates. Moreover, we expect our demand for such raw materials and products to increase as we expand our business scale and commercialize our drug candidates, but there is no assurance that current suppliers have the capacity to meet our demand. 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 addition, although we have implemented quality inspection on such raw materials and products before using them in the manufacturing process, we cannot assure you that we will be able to identify and rectify all quality issues.

We cannot assure you that these third-party suppliers 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 raw materials and products supplied to us, and cause delays in clinical trials and regulatory filings or even recall of our products. The non-compliance of these third parties may also subject us to potential product liability claims, result in our failure to comply with the continuing regulatory requirements, and cause us to incur significant costs, which may have a material and adverse effect on our business, financial condition and results of operations.

RISKS RELATING TO CONTRACTUAL ARRANGEMENTS

If the PRC government finds that the agreements that establish the structure for operating our business in China do not comply with PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe consequences and the relinquishment of our interests in the Consolidated Affiliated Entities.

Current PRC laws and regulations impose certain restrictions or prohibitions on foreign ownership of companies that engage in stem cell-derived cell therapy product R&D business which falls in the prohibited foreign-invested industries in the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2021) (《外商投資准入特別管理措施(負面清單) (2021年版)》), and the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2024) (《外商投資准入特別管理措施(負面清單) (2024年版)》) which will take effective on November 1, 2024.

We are a company incorporated under the laws of the Cayman Islands. To comply with the PRC laws and regulations, we conduct our stem cell-derived cell therapy product R&D business in China through the Consolidated Affiliated Entities based on a series of Contractual Arrangements entered into among Zephyrm Boda, Suzhou Zephyrm and Registered Shareholders. As a result of these Contractual Arrangements, we assert management control over the operations of, and enjoy substantially all the economic benefits of the Consolidated Affiliated Entities.

Our PRC Legal Adviser are of the view that save as disclosed in "Contractual Arrangements – Legality of the Contractual Arrangements" in this document, the Contractual Agreements do not violate the mandatory provisions of PRC laws, and are valid and enforceable in accordance with their terms under PRC laws. See "Contractual Arrangements – Legality of the Contractual Arrangements" in this document.

However, relevant PRC laws and regulations may evolve in the future. The relevant PRC regulatory authorities have discretion in determining whether a particular contractual structure violates PRC laws and regulations. Thus, we cannot assure you that the PRC government will not ultimately take a view contrary to the opinion of our PRC Legal Adviser. If we are found in violation of any PRC laws or regulations or if the Contractual Arrangements are determined as illegal or invalid by any PRC court, arbitral tribunal, or regulatory authorities, the relevant governmental authorities would have broad discretion in dealing with such violation, including, without limitation:

- revoke the agreements constituting the Contractual Arrangements;
- revoke relevant business and operating licenses of us;
- require us to discontinue or restrict our operations;
- restrict our right to collect revenue from the Consolidated Affiliated Entities;
- shut down a substantial part of our cell therapy product R&D business;
- levy fines on us and/or confiscate the proceeds that they deem to have been obtained through non-compliant operations;
- require us to restructure the operations in such a way as to compel us to establish a new enterprise, re-apply for the necessary licenses, or relocate our businesses, staff, and assets;
- impose additional conditions or requirements with which we may not be able to comply; or
- take other regulatory or enforcement actions that could be harmful to our business.

Furthermore, any of the assets under the name of Registered Shareholders, including their equity interest in the Consolidated Affiliated Entities, may be put under court custody in connection with litigation, arbitration, or other judicial or dispute resolution proceedings against that record holder. We cannot be certain that the equity interest will be disposed of in accordance with the Contractual

Arrangements. In addition, new PRC laws, rules, and regulations may be introduced to impose additional requirements that may impose additional challenges to our corporate structure and Contractual Arrangements. The occurrence of any of these events or the imposition of any of these penalties may result in a material and adverse effect on our ability to conduct the business. In addition, if the imposition of any of these penalties causes us to lose the rights to direct the activities of the Consolidated Affiliated Entities or the right to receive their economic benefits, we would no longer be able to consolidate the Consolidated Affiliated Entities, thus adversely affect our results of operation.

Our Contractual Arrangements may not be as effective in providing operational control as direct ownership and the Consolidated Affiliated Entities and Registered Shareholders may fail to perform their obligations under our Contractual Arrangements.

Since PRC laws limit foreign equity ownership in cell therapy product R&D business in China, we have no ownership interest in our cell therapy product R&D business and rely on a series of Contractual Arrangements entered into among Zephyrm Boda, Suzhou Zephyrm and Registered Shareholders to control and operate the relevant businesses. The Contractual Arrangements may not be as effective as direct ownership in providing us with control over the Consolidated Affiliated Entities. Direct ownership would allow us, for example, to directly provide financial support through the increase of registered capital or injection of funds, or to directly or indirectly exercise our rights as a shareholder to effect changes in the boards of directors of the Consolidated Affiliated Entities, which, in turn, could effect changes, subject to any applicable fiduciary obligations at the management level. However, under the Contractual Arrangements, as a legal matter, if the Consolidated Affiliated Entities or Registered Shareholders fail to perform their respective obligations under the Contractual Arrangements, we may have to incur substantial costs and expend significant resources to enforce those arrangements and resort to litigation or arbitration and rely on legal remedies under PRC laws. These remedies may include seeking specific performance or injunctive relief and claiming damages, any of which may not be effective. For example, if Registered Shareholders were to refuse to transfer their equity interest in and/or assets of Suzhou Zephyrm to us or our designee when we exercise the call option pursuant to the Contractual Arrangements, or if they were otherwise to act in bad faith toward us, we might have to take legal action to compel them to perform their respective contractual obligations. In the event we are unable to enforce these Contractual Arrangements or we experience significant delays or other obstacles in the process of enforcing these Contractual Arrangements, we may not be able to exert effective control over the Consolidated Affiliated Entities and may lose control over the assets owned by the Consolidated Affiliated Entities. As a result, we may be unable to consolidate the Consolidated Affiliated Entities in our consolidated financial information, which could materially and adversely affect our results of operations and financial condition.

The interests of Registered Shareholders may have actual or potential conflicts of our interests, and they may breach their contracts with us or cause such contracts to be amended in a manner contrary to our interests.

Our cell therapy product R&D business is conducted through the Consolidated Affiliated Entities. Our control over the Consolidated Affiliated Entities is based upon the Contractual Arrangements entered into among Zephyrm Boda, Suzhou Zephyrm and Registered Shareholders that allow us to control the Consolidated Affiliated Entities. Registered Shareholders may potentially have a conflict of interest with us, and they may breach their contracts with us if they believe it would further their own interest or if

they otherwise act in bad faith. We cannot assure you that when conflicts of interest arise between us and Registered Shareholders, the latter will act completely in our interests or that the conflicts of interest will be resolved in our favor.

In addition, Registered Shareholders may breach or cause the Consolidated Affiliated Entities to breach the Contractual Arrangements. If the Consolidated Affiliated Entities or Registered Shareholders fail to perform their respective obligations under the Contractual Arrangements or otherwise have disputes with us, we may have to initiate legal proceedings, which involve significant uncertainty. Such disputes and proceedings may significantly disrupt our business operations, adversely affect our ability to control the Consolidated Affiliated Entities and otherwise result in negative publicity. There is also substantial uncertainty as to the outcome of any such legal proceedings.

If we exercise the exclusive right to acquire equity ownership of Consolidated Affiliated Entities, the ownership transfer may subject us to certain limitations and substantial costs.

Pursuant to the Contractual Arrangements, we or the designated person(s) has the exclusive right to purchase all or any part of the equity interests and/or the assets in Consolidated Affiliated Entities at the lowest price permitted by relevant laws. If such a transfer takes place, the competent tax authority may require us to pay enterprise income tax for ownership transfer income with reference to the market value, in which case the amount of tax could be substantial.

We may lose control over our Consolidated Affiliated Entities and may not enjoy full economic benefits of them if the Consolidated Affiliated Entities declare bankruptcy or become subject to a dissolution or liquidation proceeding.

The Contractual Arrangements specifically obligate the Consolidated Affiliated Entities to ensure their valid existence and that the Consolidated Affiliated Entities may not be voluntarily liquidated. However, if the Consolidated Affiliated Entities declare bankruptcy or become subject to a dissolution or liquidation proceeding, all or part of their assets may become subject to liens or rights of third-party creditors and we may be unable to continue to control substantial portion of our business operations and may not enjoy the full economic benefits of the Consolidated Affiliated Entities, which could adversely affect our business, financial condition and results of operations.

Our Contractual Arrangements may be subject to scrutiny by the PRC tax authorities and additional taxes may be imposed. A finding that we owe additional taxes could substantially reduce our consolidated net income and the value of your Shares.

According to applicable PRC laws and regulations, arrangements and transactions among related parties may be subject to challenge by the PRC tax authorities, additional taxes and interest may be imposed. We would be subject to adverse tax consequences if the PRC tax authorities were to determine that transactions under the Contractual Arrangements among Zephyrm Boda, Consolidated Affiliated Entities and Registered Shareholders were not conducted on an arm's-length basis as the PRC tax authorities have the authority to make special tax adjustments to the tax liability of Zephyrm Boda. Such adjustments may adversely affect us by increasing the tax expenses of Zephyrm Boda, subjecting Zephyrm

Boda to late payment fees and other penalties for under-payment of taxes, which in turn, may adversely affect our consolidated results of operations.

Certain of the terms of the Contractual Arrangements may not be enforceable under PRC laws.

The agreements which constitute the Contractual Arrangements, as applicable are governed by PRC laws and some provide for the resolution of disputes through arbitration in the PRC. Accordingly, these agreements would be interpreted in accordance with PRC laws and disputes would be resolved in accordance with PRC legal procedures. The Contractual Arrangements contain provisions to the effect that prior to the final award, the arbitral tribunal shall have the power to grant the Zephyrm Boda with appropriate legal remedies, including relevant remedies over the shares or assets of Suzhou Zephyrm, injunction relief, and winding-up order of Suzhou Zephyrm. However, under PRC laws, such terms may not be enforceable. Our PRC Legal Adviser has, however, advised that (i) the dispute resolution provisions above may not be enforceable under the PRC laws. For instance, an arbitral tribunal has no power to grant such injunctive relief or winding-up order under current PRC laws; and (ii) interim remedies granted by overseas courts such as courts of Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC. Therefore, in the event of breach of any agreements constituting the Contractual Arrangements by the Consolidated Affiliated Entities and/or Registered Shareholders, and if we are unable to enforce the Contractual Arrangements, we may not be able to exert effective control over the Consolidated Affiliated Entities, which could negatively affect our ability to conduct our business.

RISKS RELATING TO THE [REDACTED]

There has been no prior public market for our Shares and there can be no assurance that an active market would develop, and the [REDACTED] and [REDACTED] volume of our Shares may be volatile.

No public market currently exists for our Shares. The initial **[REDACTED]** for our Shares to the public will be the result of negotiations between our Company and the **[REDACTED]** (on behalf of the **[REDACTED]**), and the **[REDACTED]** may differ significantly from the **[REDACTED]** of the Shares following the **[REDACTED]**. We have applied to the Stock Exchange for the **[REDACTED]** of, and permission to **[REDACTED]**, the Shares. A **[REDACTED]** on the Stock Exchange, however, does not guarantee that an active and liquid **[REDACTED]** market for our Shares will develop, especially during the period when a certain portion of our Shares may be subject to lock-up, or if it does develop, that it will be sustained following the **[REDACTED]**, or that the market **[REDACTED]** or **[REDACTED]** volume of the Shares will not decline following the **[REDACTED]**.

In addition, the **[REDACTED]** and **[REDACTED]** volume of the Shares may be subject to significant volatility in responses to various factors beyond our control, including the general market conditions of the securities in Hong Kong and elsewhere in the world. In particular, the business and performance and the **[REDACTED]** of the shares of other companies engaging in similar business may affect the **[REDACTED]** and **[REDACTED]** of our Shares. In addition to market and industry factors, the **[REDACTED]** and **[REDACTED]** of our Shares may be highly volatile for specific business reasons, such as the results of clinical trials of our product candidates, the results of our applications for approval of our product candidates, regulatory developments affecting the pharmaceutical markets, healthcare,

health insurance and other related matters, fluctuations in our revenue, earnings, cash flows, investments and expenditures, relationships with our suppliers, movements or activities of key personnel, or actions taken by competitors. Moreover, shares of other companies **[REDACTED]** on the Stock Exchange have experienced **[REDACTED]** in the past, and it is possible that our Shares may be subject to changes in **[REDACTED]** not directly related to our performance.

You will incur immediate and substantial dilution and may experience further dilution in the future.

The **[REDACTED]** of our Shares is higher than the net tangible asset value per Share immediately prior to the **[REDACTED]**. Therefore, purchasers of the our Shares in the **[REDACTED]** will experience an immediate dilution in **[REDACTED]** net tangible asset value.

In order to expand our business, we may consider **[REDACTED]** and **[REDACTED]** additional Shares in the future. Purchasers of the our Shares may experience dilution in the net tangible asset value per share of their Shares if we issue additional shares in the future at a price which is lower than the net tangible asset value per Share at that time. Furthermore, we may issue shares pursuant to the share schemes, which would further dilute Shareholders' interests in our Company.

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

Future sales or perceived sales by our existing Shareholders of our Shares after the **[REDACTED]** could result in a significant decrease in the prevailing **[REDACTED]** of our Shares. Only a limited number of the Shares currently outstanding will be available for sale or issuance immediately after the **[REDACTED]** due to contractual and regulatory restrictions on disposal and new issuance. Nevertheless, after these restrictions lapse or if they are waived, future sales of significant amounts of our Shares in the public market or the perception that these sales may occur could significantly decrease the prevailing **[REDACTED]** of our Shares and our ability to raise equity capital in the future.

We cannot assure you that we will make any dividend payments in the future.

We currently intend to retain most of our available funds and any future earnings after the **[REDACTED]** to fund the development and commercialization of our pipeline product candidates. Our Board has complete discretion as to whether to distribute dividends. Even if our Board decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions (if any) received by us from our subsidiaries, our financial condition, contractual restrictions and other factors deemed relevant by our Board. Therefore, you should not rely on an **[REDACTED]** in our Shares as a source for any future dividend income.

Facts, forecasts and statistics in this document relating to pharmaceutical markets may not be fully reliable.

Facts, forecasts and statistics in this document relating to the pharmaceutical industry in and outside China are obtained from various sources, including information provided or published by government

agencies, third-party reports and other publicly available sources. We believe that the information originated from appropriate sources and was extracted and reproduced after taking reasonable care. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, the 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 being inaccurate or not comparable to statistics produced for other economies.

The information from official government sources has not been independently verified by us, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]**, any of their respective directors, employees, agents or advisers or any other person or party involved in the **[REDACTED]**, and no representation is given as to its accuracy. 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. In any event, you should consider carefully the importance placed on such information or statistics.

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

This document contains certain future plans and forward-looking statements about us that are made based on the information currently available to our management. The forward-looking information contained in this document is subject to certain risk and uncertainties. Whether we implement those plans, or whether we can achieve the objectives described in this document, will depend on various factors including the market conditions, our business prospects, actions by our competitors and the global financial situations.

You should read the entire document carefully, and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us or the [REDACTED].

Subsequent to the date of this document but prior to the completion of the **[REDACTED]**, there may be press and media coverage regarding us and the **[REDACTED]**, which may contain, among other things, certain financial information, projections, valuations and other forward-looking information about us and the **[REDACTED]**. We do not have sufficient control over the press and media coverage, and analysts might issue negative views or recommendations on us, which could have an adverse effect on the **[REDACTED]** of Shares. We have not authorized the disclosure of any such information in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this document, we disclaim responsibility for them. Accordingly, prospective **[REDACTED]** are cautioned to make their **[REDACTED]** decisions on the basis of the information contained in this document only and should not rely on any other information.

You should rely solely upon the information contained in this document, the **[REDACTED]** and any formal announcements made by us in making your **[REDACTED]** decision regarding our Shares. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our Shares, the **[REDACTED]** or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such data or publication. Accordingly, prospective **[REDACTED]** should not rely on any such information, reports or publications in making their decisions as to whether to **[REDACTED]** in the **[REDACTED]**. By applying to purchase our 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 the **[REDACTED]**.

We are a Cayman Islands company and, because judicial precedent regarding the rights of shareholders is more limited under the laws of the Cayman Islands than some other jurisdictions, you may have difficulties in protecting your shareholder rights.

Our corporate affairs are governed by our Memorandum and Articles of Association and by the Cayman Companies Act and the common law of the Cayman Islands. The rights of Shareholders to take legal action against our Directors and us, actions by minority Shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those established under statutes and judicial precedent in existence in the jurisdictions where minority Shareholders may be located. See "Appendix IV – Summary of the Constitution of our Company and Cayman Islands Companies Act" in this document.

As a result of all of the above, minority Shareholders may have difficulties in protecting their interests under the laws of the Cayman Islands through actions against our management, Directors or Controlling Shareholders, which may provide different remedies to minority Shareholders when compared to the laws of the jurisdiction in which such shareholders are located.

Our Controlling Shareholders have substantial control over our Company and their interests may not be aligned with the interests of the other Shareholders.

Upon **[REDACTED]**, our Controlling Shareholders will have significant influence over our business, including decisions regarding mergers, consolidations, liquidations and the sale of all or substantially all of our assets, election of directors and other significant corporate actions. See "Relationship with Our Controlling Shareholders" in this document. Our Controlling Shareholders may take actions that are not in the best interest of us or our other Shareholders. This concentration of ownership may discourage, delay or prevent a change in control of our Company, which could have the effect of depriving our other Shareholders of the opportunity to receive a premium for their shares as part of a sale of our Company and may reduce the **[REDACTED]** of our Shares. This concentrated control will limit your ability to influence corporate matters and could discourage others from pursuing any potential merger, takeover or other change of control transactions that other holders of our shares may view as beneficial.

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

In preparation for the **[REDACTED]**, our Company has sought [and has been granted] the following waivers from strict compliance with the relevant provisions of the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance:

WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, we must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong.

Our headquarters and most of our business operations are based, managed and conducted in the PRC. As our executive Directors play very important roles in our business operation, it is in our best interest for them to be based in the places where our Group has significant operations. We consider it practicably difficult and commercially unreasonable for us to arrange for two executive Directors to ordinarily reside in Hong Kong, either by means of relocation of our executive Directors to Hong Kong or appointment additional executive Directors. Therefore, we do not have, and in the foreseeable future will not have, sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules.

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange [has granted] us, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules, provided that our Company implements the following arrangements:

(a) we have appointed Dr. Zhang and Ms. Yu Wing Sze as our authorized representatives pursuant to Rule 3.05 of the Listing Rules. The authorized representatives will act as our Company's principal channel of communication with the Hong Kong Stock Exchange. The authorized representatives will be readily contactable by phone, facsimile and email to promptly deal with enquiries from the Hong Kong Stock Exchange, and will also be available to meet with the Hong Kong Stock Exchange to discuss any matter within a reasonable period of time upon request of the Hong Kong Stock Exchange;

(b) when the Hong Kong Stock Exchange wishes to contact our Directors on any matter, each of the authorized representatives will have all necessary means to contact all of our Directors (including our independent non-executive Directors) promptly at all times. Our Company will also inform the Hong Kong Stock Exchange promptly in respect of any changes in the authorized representatives. We have provided the Hong Kong Stock Exchange with the contact details (including mobile phone numbers, office phone numbers and email addresses, if any) of all Directors to facilitate communication with the Hong Kong Stock Exchange;

(c) all Directors who do not ordinarily reside in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and can meet with the Hong Kong Stock Exchange within a reasonable period upon the request of the Hong Kong Stock Exchange;

(d) we have appointed Zhongtai International Capital Limited as our compliance adviser upon **[REDACTED]** pursuant to Rule 3A.19 of the Listing Rules for a period commencing on the **[REDACTED]** and ending 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]**. The compliance adviser will have access at all times to our authorized representatives, our Directors and our senior management, who will act as the additional channel of communication with the Hong Kong Stock Exchange when the authorized representatives are not available; and

(e) meetings between the Hong Kong Stock Exchange and our Directors can be arranged through our authorized representatives or our compliance adviser, or directly with our Directors within a reasonable time frame.

EXEMPTION FROM STRICT COMPLIANCE WITH SECTION 342(1) 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, the prospectus shall include the matters specified in Part I of the Third Schedule thereto and the reports specified in Part II of the Third Schedule thereto.

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 the prospectus 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 the prospectus 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.

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 its document a report prepared by our Company's auditor with respect to the profits and losses and assets and liabilities of our Company for each of the three financial years immediately preceding the issue of the document.

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 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 interest of the investing public and compliance with any or all of such requirements would be irrelevant or unduly burdensome, or is otherwise unnecessary or inappropriate.

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

According to Rule 4.04(1) of the Listing Rules, the Accountant's report contained in the prospectus must include, among others, the results of the company in respect of each of the three financial years immediately preceding the issue of the prospectus 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 reference to "two financial years" or "two years," as the case may be.

Accordingly, we [have applied] to the SFC for, and the SFC [has granted], a certificate of exemption from strict compliance with the requirements under section 342(1) 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, on the conditions that the particulars of the exemption are set forth in this document and this document will be issued on or before **[REDACTED]**, on the following grounds:

(a) we are a clinical-stage biopharmaceutical company dedicated to the development of innovative cell therapy products derived from pluripotent stem cells for the treatment of a variety of medical conditions, and falls within the scope of biotech company as defined under Chapter 18A of the Listing Rules;

(b) the Accountant's Report for each of the two financial years ended December 31, 2022 and 2023 and the six months ended June 30, 2024 (will be extended to [nine months ended September 30, 2024] upon the **[REDACTED]**) has been prepared and is set out in Appendix I to this document in accordance with Rule 18A.06 of the Listing Rules;

(c) we are a pre-revenue biotech company and during the Track Record Period, we did not generate any revenue from our drug candidates under development, and we will continue to incur significant research and development and other expenses related to our ongoing operations. For details of our major activities see, "Business" in the document;

(d) notwithstanding that the financial results set out in this document are only for the two years ended December 31, 2022 and 2023 and six months ended June 30, 2024 (will be extended to [nine months ended September 30, 2024] upon the **[REDACTED]**), other information required to be disclosed under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance has been adequately disclosed in this document pursuant to the relevant requirements;

(e) given that Chapter 18A of the Listing Rules provides that the minimum track record period for biotech companies in terms of financial disclosure is two years, strict compliance with the requirements of section 342(1) of the Companies (Winding Up and Miscellaneous

Provisions) Ordinance and 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;

(f) our Directors and the Sole Sponsor confirm that after performing all due diligence work which they consider appropriate, up to the date of this document, there has been no material adverse change to the financial and trading positions or prospects of our Company since June 30, 2024 (will be extended to [September 30, 2024] upon the **[REDACTED]**) (immediately following the date of the latest audited statement of financial position in the Accountant's Report set out in Appendix I to this document) to the date of this document and there has been no event which would materially affect the information shown in the Accountant's Report as set out in Appendix I and the section headed "Financial Information" in this document and other parts of the document; and

(g) our Directors are of the view that the Accountant's Report covering the two years ended December 31, 2023 and the six months ended June 30, 2024 (will be extended to [nine months ended September 30, 2024] upon the **[REDACTED]**) included in this document, together with other disclosure in this document, have already provided the potential investors 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 investing public to make an informed assessment of our Group'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 interest of the investing public.

WAIVER IN RELATION TO RULE 4.04(1) OF THE LISTING RULES AND EXEMPTION FROM STRICT COMPLIANCE WITH SECTION 342(1)(b) 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

Pursuant to Rule 4.04(1) of the Listing Rules, the accountant's 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 reference to "two financial years" or "two years," as the case may be.

Chapter 1.1A of the Guide for New Listing Applicants issued by the Stock Exchange provides that where an applicant issues its listing document within two months after the latest year end, a Rule 4.04(1) waiver would be subject to the following conditions: (i) a profit estimate for the latest financial year that

complies with the relevant Listing Rules; (ii) the applicant must list on the Stock Exchange within three months after the latest year end; and (iii) the applicant must obtain a certificate of exemption from the SFC on compliance with the requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires all prospectuses to include the matters specified in Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance and sets out the reports specified in Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Pursuant 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.

Pursuant 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 by our Company's auditor with respect to profits and losses in respect of each of the three financial years immediately preceding the issue of this document and assets and liabilities of the Company at the last date to which the financial statements of our Company were prepared.

Pursuant 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 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 compliance with any or all of such requirements would be irrelevant or unduly burdensome, or is otherwise unnecessary or inappropriate.

The Accountant's Report for each of the two years ended December 31, 2022 and 2023 and the [nine months ended September 30, 2024] has been prepared and is set out in Appendix I to this document.

Pursuant to the relevant requirements set forth above, our Company is required to produce audited accounts for the two full years ended December 31, 2024. However, an **[REDACTED]** was made to the Hong Kong Stock Exchange for a waiver from strict compliance with Rule 4.04(1) of the Listing Rules, and such waiver [has been granted] by the Hong Kong Stock Exchange on the conditions that:

(a) this document will be issued on or before **[REDACTED]** and the Shares of our Company must be **[REDACTED]** on the Stock Exchange on or before **[REDACTED]** (i.e. within three months after the end of the Company's latest financial year immediately preceding the issue of this document);

(b) this document contains the loss estimate for the year ended December 31, 2024 (in compliance with Rules 11.17 to 11.19 of the Listing Rules) and the statement from the Directors that after performing all reasonable due diligence work which they consider appropriate, up to the date of the document, there is no material and adverse change to the financial and trading positions or prospects of our Company, with specific reference to the trading results from **[REDACTED]** to December 31, 2024;

(c) our Company obtains a certificate of exemption from the SFC on strict compliance with section 342(1)(b), 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

(d) our Company shall publish its annual results announcement and annual report for the financial year ended December 31, 2024 no later than **[REDACTED]** and **[REDACTED]**, respectively, in compliance with Rules 13.46(2) and 13.49(1) of the Listing Rules.

An application has also been made to the SFC for a certificate of exemption from strict compliance with the requirements under section 342(1)(b) in respect of 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 be set forth in this document; and (ii) this document be issued on or before **[REDACTED]** and our Company be **[REDACTED]** on the Stock Exchange on or before **[REDACTED]** (i.e. within three months after the end of our Company's latest financial year immediately preceding the issue of this document).

The applications to Hong Kong Stock Exchange for a waiver from strict compliance with Rule 4.04(1) of the Listing Rules and to the SFC for a certificate of exemption from strict compliance with the requirements under section 342(1)(b) in respect of paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance have been made on the grounds, among others, that strict compliance with the above requirements would be unduly burdensome and the exemption would not prejudice the interests of the investing public as:

(a) there would not be sufficient time for our Company and the reporting accountant of our Company (the "**Reporting Accountant**") to finalize the audited financial statements for the year ended December 31, 2024 for inclusion in this document. If the financial information for the year ended December 31, 2024 is required to be audited, our Company and the Reporting Accountant would have to carry out substantial volume of work to prepare, update and finalize the Accountant's Report and this document, and the relevant sections of this document will need to be updated to cover such additional period. This would involve additional time and costs since substantial work is required to be carried out for audit purposes. It would be unduly burdensome for the audited results for the year ended December 31, 2024 to be finalized in such short period of time. Our Directors consider that the benefits of such work to the existing and prospective shareholders of our Company may not justify the additional work and expenses involved and the delay of the **[REDACTED]** of our Company;

(b) our Directors and the Sole Sponsor herein confirm that after performing all reasonable due diligence work which they consider appropriate, up to the date of document, except to the extent disclosed in the paragraph headed "Summary – Recent Development" in this document and the **[REDACTED]** expense in connection with the **[REDACTED]**, there has been no material adverse change to the financial and trading positions or prospects of our Group since **[REDACTED]** (immediately following the date of the latest audited statement of financial position in the Accountant's Report set out in Appendix I to this document) up to December 31, 2024 and there has been no event which would materially affect the information shown in the Accountant's Report as set out in Appendix I to this document, the financial information section, loss estimate as set out in Appendix III to this document and information regarding our Company's recent development subsequent to the Track Record Period and up to the Latest Practicable Date;

(c) our Company is of the view that the Accountant's Report covering the two years ended December 31, 2022 and 2023 and the [nine months ended September 30, 2024], together with the loss estimate for the year ended December 31, 2024 (in compliance with Rules 11.17 to 11.19 of the Listing Rules) included in this document have already provided the potential investors with adequate and reasonably up-to-date information in the circumstances to form a view on the track record and earnings trend of our Company; and our Directors and the Sole Sponsor confirm that all information which is necessary for the investing public to make an informed assessment of the business, assets and liabilities, financial position, trading **[REDACTED]**, management and prospects has been included in this document. Therefore, the waiver and exemption would not prejudice the interests of the investing public; and

(d) we will comply with the requirements under Rules 13.46(2) and 13.49(1) of the Listing Rules in respect of the publication of our annual results and annual report. Our Company currently expects to issue our annual results and annual report for the financial year ended December 31, 2024 on or before **[REDACTED]** and **[REDACTED]**, respectively. In this regard, our Directors consider that our Shareholders, the investing public as well as potential investors of our Company will be kept informed of the financial results of our Group for the financial year ended December 31, 2024.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have entered into, and are expected to continue, certain transactions that will constitute non-exempt continuing connected transactions of our Company under the Listing Rules upon **[REDACTED]**. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, waivers from strict compliance with (i) the announcement, (ii) independent Shareholders' approval requirement, (iii) the annual cap requirement and (iv) the requirement of limiting the term of the continuing connected transactions as set out in Chapter 14A of the Listing Rules for such continuing connected transactions. For details, see "Contractual Arrangements" and "Continuing Connected Transactions" in this document.

[REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS

Name	Address	Nationality
Executive Directors		
Dr. Yu Alex ZHANG	Room 2303, Level 23, Building 3 Courtyard 1, Ciyunsi Road Chaoyang District Beijing PRC	American
Mr. DONG Xin (董鑫)	No. 54 Xiuying Village Longhua District Haikou City, Hainan Province PRC	Chinese
Dr. JIA Yi (賈懿)	Room 302, No. 14 Lane 500, Xianxia West Road Changning District Shanghai PRC	Chinese
Non-executive Directors		
Mr. WANG Bangyuan (王邦源)	Room 1407, Unit 1, Building 4 Yard 1, Xinyuanxinduhui Community, Yongda Street Daxing District Beijing PRC	Chinese
Ms. LI Li (李黎)	No. 9204 Yard 20, Yinzha Hutong Dongcheng District Beijing PRC	Chinese
Ms. ZHANG Xiaoge (張曉舸)	19-03, Yuanshanjiuhao No. 666, Fudi Street Lixia District Jinan City, Shandong Province PRC	Chinese

Name	Address	Nationality
Mr. CHEN Hongwu (陳洪武)	Room 1601, South Building,16th Floor No. 2, Jinbao Street Dongcheng District Beijing PRC	Chinese
Mr. YU Xiang (于翔)	2-1502, Qujiangyue Community No. 332 Xiying Road Xi'an, Shaanxi Province PRC	Chinese
Independent non-executive Directors		
Dr. CAO Wei (曹衛)	No. 22B, Lane 3131 Hongmei Road Minhang District Shanghai PRC	Chinese
Dr. Frank Ningjun JIANG	No. 221, Lane 4288 Longdong Avenue Pudong New District Shanghai PRC	American
Dr. TANG Qiqun (湯其群)	Room 1102 No. 3, Lane 138, Nandan Road Xuhui District Shanghai PRC	Chinese
Dr. HU Danqi (胡丹琪)	Building 19, Weixiuyuan, Peking University Haidian District Beijing PRC	Chinese

For details, see "Directors and Senior Management" in this document.

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor	**China International Capital Corporation Hong Kong Securities Limited** 29/F One International Finance Centre 1 Harbour View Street Central Hong Kong

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Legal advisers to our Company	*As to Hong Kong and U.S. laws* **O'Melveny & Myers** 31/F, AIA Central 1 Connaught Road Central Hong Kong *As to PRC law* **Jingtian & Gongcheng** 34/F, Tower 3, China Central Place 77 Jianguo Road Beijing PRC *As to Cayman Islands law* **Harney Westwood & Riegels** 3501 The Center 99 Queen's Road Central Hong Kong
Legal advisers to the Sole Sponsor and the [REDACTED]	*As to Hong Kong and U.S. law* **Clifford Chance** 27/F, Jardine House One Connaught Place Central Hong Kong *As to PRC law* **Commerce & Finance Law Offices** 12–14/F, China World Office 2 No.1 Jianguomenwai Avenue Chaoyang District Beijing PRC
Reporting Accountant and independent auditor	**PricewaterhouseCoopers** *Certified Public Accountants* *Registered Public Interest Entity Auditor* 22/F, Prince's Building Central Hong Kong

Industry consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** Suite 2504, Wheelock Square 1717 Nanjing West Road Jing'an District Shanghai PRC
	[REDACTED]
Compliance Adviser	**Zhongtai International Capital Limited** 19th Floor, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong

CORPORATE INFORMATION

Registered Office in the Cayman Islands	**Osiris International Cayman Limited** Suite #4-210, Governors Square 23 Lime Tree Bay Avenue PO Box 32311 Grand Cayman KY1-1209 Cayman Islands
Headquarters and Principal Place of business in the PRC	606, Pangu Plaza Building A No. 27, Middle North Fourth Ring Road Chaoyang District Beijing PRC
Principal place of business in Hong Kong	31/F, Tower Two, Times Square 1 Matheson Street Causeway Bay Hong Kong
Company website	**https://zephyrm.com** *(Information contained on this website does not form part of this document)*
Company secretary	**Ms. YU Wing Sze** 31/F, Tower Two, Times Square 1 Matheson Street Causeway Bay Hong Kong
Authorized representatives	**Dr. Yu Alex ZHANG** Room 2303, Level 23, Building 3 Courtyard 1, Ciyunsi Road Chaoyang District Beijing PRC **Ms. YU Wing Sze** 31/F, Tower Two, Times Square 1 Matheson Street Causeway Bay Hong Kong

Audit committee	Dr. HU Danqi (胡丹琪) *(Chairperson)* Mr. Dong Xin (董鑫) Dr. TANG Qiqun (湯其群)
Remuneration committee	Dr. CAO Wei (曹衛) *(Chairperson)* Dr. TANG Qiqun (湯其群) Dr. Yu Alex ZHANG
Nomination committee	Dr. Yu Alex ZHANG *(Chairperson)* Dr. Frank Ningjun JIANG Dr. CAO Wei (曹衛)

[REDACTED]

Principal banks

China Zheshang Bank
Beijing Jinbao Street Branch
Ground Floor, Ya'an International Apartment
No. 2, Jinbao Street
Dongcheng District, Beijing
PRC

China Everbright Bank
Xueyuan Road Branch
1st Floor, Sino Life Building
No. 56, Xizhimen North Street
Haidian District, Beijing
PRC

Bank of Beijing
Fuyu Branch
No. 28, Fucheng Road,
Haidian District, Beijing
PRC

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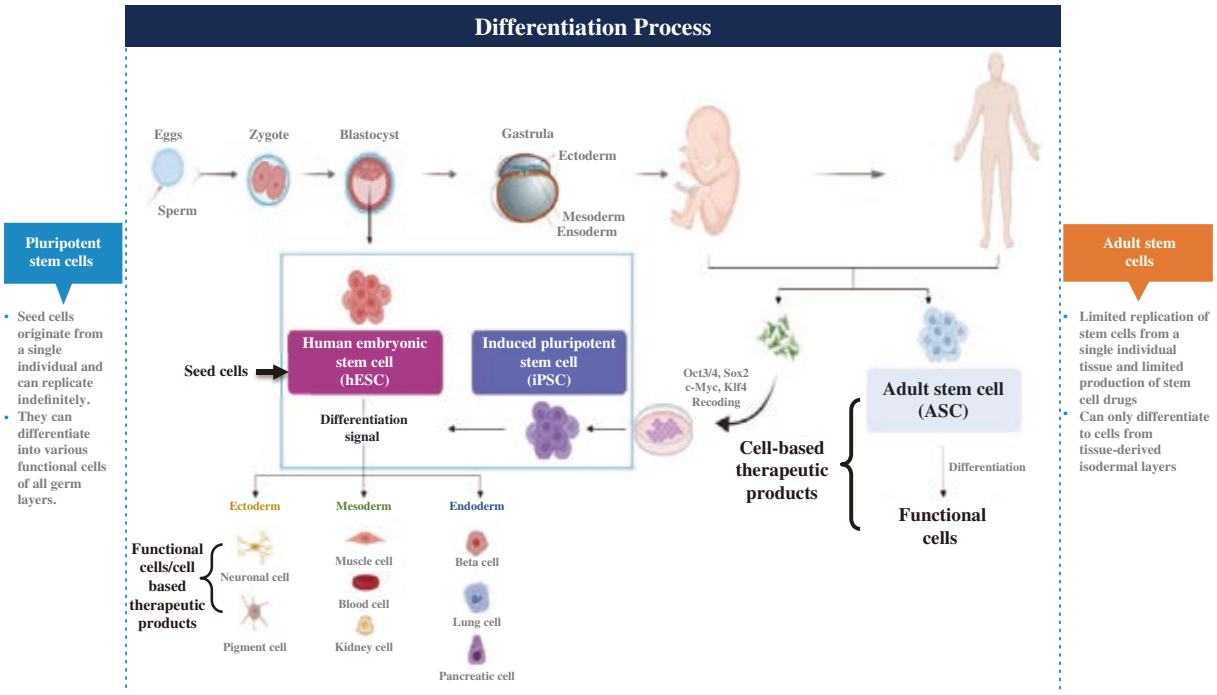
STEM-DERIVED CELL THERAPY

Overview

Stem cells are cells with the potential to differentiate into various cell types of a human body. The two defining characteristics of stem cells are perpetual self-renewal and the ability to differentiate into functional somatic cell types. Stem cells can repair, replace, or regenerate cells, tissues, or organs under certain conditions. Consequently, stem cells have the potential to restore impaired function of a human body, and can potentially be beneficial in treating congenital defects, disease, trauma and aging. Compared to small molecule drugs and other types of biologics such as antibodies, stem cells have great clinical application potential because they can be differentiated into a variety of functional cell types, offering different mechanisms of action to address a wide range of diseases. In particular, stem cells have the unique mechanism of cell replacement, which can treat damaged tissue or degenerative diseases that cannot be cured by small molecule drugs or other biologics.

There are mainly two types of stem cells that are currently used in cell therapy product development: ASCs and PSCs. PSCs include hESCs and iPSCs. PSCs must undergo differentiation steps to become functional cells, and cannot be used directly for treatment. This differentiation process must be carefully controlled and closely monitored. PSCs can potentially differentiate into all cell types of a human body and have the capability to replicate indefinitely. hESCs are PSCs derived from blastocyst of a single human embryo. iPSCs are artificial stem cells created through the introduction of embryonic genes or their functions into a somatic cell that causes it to revert back to an "ESC like" state. ASCs, including MSCs, on the other hand, are multi-/uni-potent stem cells that have limited differentiation and replication capabilities. They naturally reside in most tissues of the human body and have the function of generating cells to replace those that are lost through normal repair, disease, or injury.

Stem Cell Overview



Source: Frost & Sullivan Analysis

PSC-Derived Cell Therapy Products

Cell Source: PSCs vs. ASCs

hESCs are a type of PSCs found in the inner cell mass of the human blastocyst, an early stage of the developing embryo lasting from the 4th to 7th day after fertilization. In normal embryonic development, they disappear after the 7th day, and begin to form the three embryonic tissue layers. hESCs extracted from the inner cell mass during the blastocyst stage, however, can be cultured in the laboratory and under the right conditions will proliferate indefinitely. hESCs growing in this undifferentiated state are PSCs and retain the potential to differentiate into cells of all three embryonic tissue layers. Nevertheless, these hESCs lose the capability to develop into a fertile adult individual.

Another type of PSCs is genetically modified PSCs known as iPSCs with similar proliferation capabilities as hESCs. These cells are somatic cells that have been genetically reprogrammed to resemble embryonic stem cells by inducing the expression of specific genes and other components necessary for maintaining ESC properties. While the methods pioneered by scientific researchers have demonstrated the ability to reprogram somatic cells into iPSCs, there are still challenges associated with this technology, including but not limited to low efficiency of conversion from somatic cells to iPSCs, genomic insertion of transcription factors that limit the utility of the transcription factor approach, tumorigenicity, and incomplete reprogramming.

ASCs are cells that reside among differentiated cells in a tissue or organ. They have the ability to renew themselves and differentiate into specialized cell types. While hESCs can become all cell types, ASCs are limited to differentiating into distinct cell types of their tissue of origin, and they are therefore multipotent or unipotent stem cells. The primary role of ASCs is to maintain and repair the tissue in which they reside. ASCs can be found in various tissues of the adult organism, including peripheral blood, blood vessels, bone marrow, skeletal muscle, teeth, skin, gut, liver, ovary, testis, brain, and heart.

The major difference between PSCs and ASCs is that PSCs have the potential to differentiate into all cell types of the human body; whereas it is believed that ASCs can differentiate only into specific cell types present in the tissue of their origin. Also, ASCs have limited proliferation capability so that they cannot grow for long periods of time and cannot generate large quantities of stem cells from a single source. Additionally, certain types of ASCs are functional cells that can be directly utilized in the development of therapeutic products. In contrast, PSCs must first be differentiated into functional cells before they can be used for therapeutic product development.

Safety of PSC-Derived Cell Therapy Products

There are two potential safety concerns of PSC-derived cell therapy products. One potential concern relates to the residual PSCs, which may grow into tumors after transplantation into patients. This concern can be efficiently addressed by methods such as screening target functional cells through specially designed culture environment, purifying desired differentiated cells, or removing the residual PSCs. Another potential concern relates to the possibility of immune rejection of transplanted cells. However, this concern does not exist for all cell types, especially for MSCs, which are considered to have low immunogenicity. Nevertheless, for cell types where immunogenicity is a concern, there are several well accepted approaches that can address it.

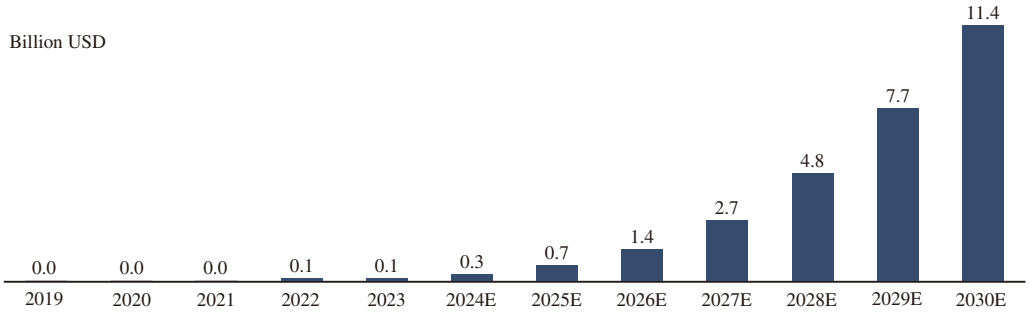
The development of PSCs requires controlled conditions that minimize risks of viral/bacterial contaminations and immunogenic complications. To ensure such controlled conditioned, derivation, culturing, and storage of clinical-grade seed cells should comply with GMPs and CMCs.

Market Size of Stem Cell-Derived Cell Therapy Products

Globally, the market size of stem cell-derived cell therapy products was US$0.1 billion in 2023 and is expected to reach US$2.7 billion in 2027, with a CAGR of 116.8% from 2023 to 2027. The market will further grow to US$11.4 billion in 2030, with a CAGR of 61.5% from 2027 to 2030. In China, the market size of stem cell-derived cell therapy products is expected to grow rapidly after the anticipated first approval in 2026. The China market of stem cell-derived cell therapy products increased from RMB1.4 billion to RMB18.0 billion with a CAGR of 137.2% from 2027 to 2030.

Global Market of Stem Cell-Derived Cell Therapy Products, 2019–2030E

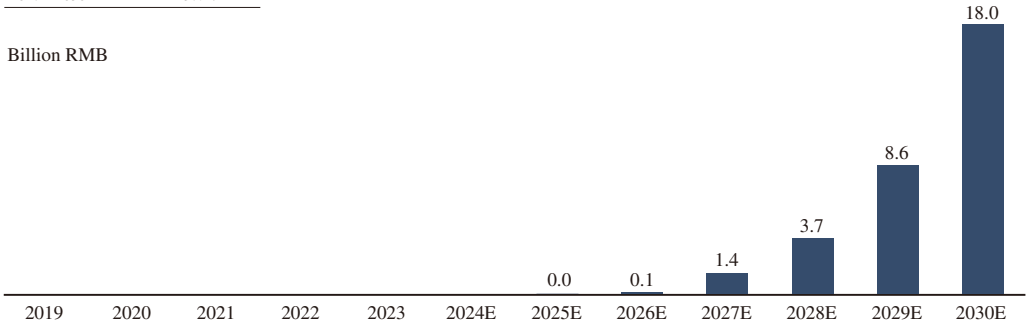
Period	CAGR
2019-2023	–
2023-2027E	116.8%
2027E-2030E	61.5%



Source: Frost & Sullivan Analysis

Stem Cell-Derived Cell Therapy Products Market in China, 2019–2030E

Period	CAGR
2019-2023	–
2023-2027E	–
2027E-2030E	137.2%



Source: Frost & Sullivan Analysis

Technological Barriers

The development of stem cell-derived cell therapy products faces significant technological barriers, with the most significant challenge being the translation of scientific research into clinical application. Although stem cell research dates back to 1868, the first stem cell-derived cell therapy product was not approved for marketing until 2010. Until now, there are still numerous failures reported by regulatory authorities including the FDA in both early- and late-stage clinical trials. The primary obstacles are poor quality control and inconsistent characteristics of stem cells in terms of immunocompatibility, stability, heterogeneity, differentiation, and migratory capacity.

Another major concern is the limited replicative capability of ASCs, necessitating the continuous sourcing of cells from donors. Variability among different donors, influenced by factors such as health status and genetics, leads to heterogeneity. Additionally, cell isolation techniques, culture environments, and preservation conditions can affect stem cell quality, particularly when manual operations are involved. Achieving industrial-scale production of ASC-derived cell therapy products poses another significant challenge. Consistency in cell yield and phenotype requires strict methodological uniformity. The production process demands highly aseptic operations to minimize environmental contamination risks and reduce the likelihood of cross-contamination.

The differentiation process and quality control of PSCs are also crucial factors impacting the safety and efficacy of the resulting functional cells. For instance, residual undifferentiated stem cells in the final product may potentially contribute to the tumorigenicity of stem cell-derived cell therapy products. Thus, quality control methods to eliminate undifferentiated stem cells are essential for the successful development of these therapeutic products. Ensuring high differentiation efficiency requires a well-selected cell seed and a robust differentiation process.

Competitive Landscape

As of the Latest Practicable Date, there have been 14 therapeutic stem cell-derived products approved for marketing by regulatory authorities including EMA, PMDA, and MFDS, in the world. All of them were derived from ASCs. As of the Latest Practicable Date, there were no PSC-derived cell therapy products approved for marketing in the world and there was no stem cell-derived cell therapy product approved for marketing in China.

As of the Latest Practicable Date, in China, there were eight PSC-derived cell therapy products under clinical development. Among them, the Company's ZH901 was the first and only stem cell-derived therapy product candidate derived from hESCs in China.

Competitive Landscape of hESC-Derived Cell Therapy Product Candidate in China

Drug Name	Product	Company	Indication	Source of Cells	Clinical Phase	First Posted Date
ZH901	hESC-derived M cell injection	Beijing Zephyrm Technology Co., Ltd	AE-ILD	hESCs	II	2023/07/04
			aGVHD		II	2023/7/18
			Meniscus injury		I/II	2022/02/08
			ARDS		II	2022/06/21

Source: CDE, Frost & Sullivan Analysis

Government Policies Applicable to Stem Cell-Derived Cell Therapy

China

The regulatory environment for cell therapy in China has undergone significant changes over the past decades. From 1993 to 2008, it was unclear whether stem cell-derived cell therapy was regulated as a medical technology or a medicinal product. Between 2009 and 2014, stem cell-derived cell therapy was classified as category III medical technology under the supervision of the National Health Commission. However, from 2015 to 2016, the National Health Commission abolished the review and approval process for category III medical technology and determined that stem cell-derived cell therapy should not be regulated as such.

Since 2017 and until now, cell therapy products, including stem cell-derived cell therapy products, have been regulated as medicinal products. In 2017, the NMPA issued the "Guidelines for the Research and Evaluation of Cell Therapy Products (Trial)" (《細胞治療產品研究與評價技術指導原則(試行)》), confirming that stem cell-derived cell therapy products should be regulated as medicinal products. Since then, a series of rules and regulations have been introduced to standardize the development of cell therapy products, enhance their safety, efficacy, and quality control, and promote the healthy development of the cell therapy field in China. Now, the CDE has published a series of rules, regulations and guidelines, making the administrative regulation, especially the regulatory approval pathway of stem cell-derived cell therapy products clear.

Currently, China has established a "dual regulation" system for stem cell-derived cell therapy product development regulation: for clinical research regulated by health department (i.e. investigator-initiated trials), relevant clinical research institutions and projects must be filed with the National Health Commission before implementation. For registered clinical trials regulated by drug regulatory departments, registration clinical trials must be applied for with the CDE for the permission of the initiation of clinical trials. After completing exploratory and confirmatory trials of registered clinical trials, a marketing application, i.e. BLA, can be submitted.

Ethics consideration of hESC in China

Embryos for new hESC line derivation are obtained from *in vitro* fertilization clinics with informed consent given by both parents. Only surplus embryos, which could not be used in the infertility treatment, are utilized to derive hESCs. Nevertheless, the derivation often requires destruction of the *ex utero* embryos, which causes ethical concerns and is prohibited by law in many countries.

In China, the "Ethical Guidelines for Research on Human Embryonic Stem Cells" (《人胚胎幹細胞研究倫理指導原則》) ("**Guidelines**") issued by Ministry of Science& Technology and the former Ministry of Health in 2003 stipulate that the culture period of blastocysts obtained through *in vitro* fertilization, somatic cell nuclear transfer, parthenogenesis, or genetic modification should not exceed 14 days from fertilization or nuclear transfer. This is based on the 14-day rule based on the belief that embryonic cells are totipotent for the first 13 days post-fertilization, capable of developing into different types of cells. However, by the 14th day, the appearance of the primitive streak determines individual characteristics.

Therefore, the 14-day rule suggests allowing research on embryos up to 14 days post-fertilization, but prohibiting research on embryos beyond 14 days (or the earliest appearance of the primitive streak). This recommendation was subsequently widely adopted across the world by legislations and organizations including the Guidelines. hESCs are derived from embryos 4 to 7 days post-fertilization, thus complying with the Guidelines.

Since the promulgation of the Guidelines, China has a standardized and systematic framework for ethical regulation of stem cell research. For details of the relevant guidelines, see "Regulatory Overview" in this document. Specifically, entities in China that wishes to conduct study and clinical research on stem cells should establish ethics committees, and these entities include medical and health institutions (such as hospitals), higher education institutions, research institutes, and enterprises. For clinical research institutions, the ethics committee should consist of no fewer than seven members. According to Appendix VI of Guidelines for the Establishment of Ethics Review Committees for Clinical Research Involving Humans (《涉及人的臨床研究倫理審查委員會建設指南》) ("**Appendix VI**"), state-approved stem cell research filing institutions must establish a dedicated stem cell research academic committee and a stem cell research ethics review committee. In practice, hospitals should establish a stem cell clinical research ethics committee or a special committee as a branch or subordinate institution of their ethics committee to conduct independent ethical reviews of stem cell clinical research projects.

For the ethical review of stem cell clinical research, Appendix VI specifies that in addition to following general ethical guidelines, entities should follow specific ethical requirements applicable to stem cell clinical research. These can include: (1) entities must be approved for stem cell clinical research by the state and have a dedicated stem cell research academic committee and stem cell research ethics review committee; (2) entities should use human biological materials obtained in compliance with relevant laws and regulations, i.e., if sourced from newly collected human biological materials, they must be collected by legally qualified and accredited institutions. If sourced from cell banks or suppliers, the relevant cell banks or suppliers must have legal qualifications and accreditation; (3) entities should implement informed consent principles; (4) entities should not conduct research that is not allowed due to ethical concerns, including the use of stem cell research for reproductive purposes to propagate offspring, and other research that seriously violates public order, good customs, animal welfare, or human welfare; and (5) entities should conduct follow-up review, where the ethics review committee determines the frequency of annual/regular follow-up reviews based on the risk level and research cycle, at least once a year. The committee will review written modifications or clarifications of approved research protocols and non-compliance/violation events in approved projects. Applications for suspension/premature termination of research and final study reports will also be reviewed by the ethics committee.

Violations of ethical regulations by medical and health institutions will result in orders to stop the stem cell clinical research and the circulation of a notice of criticism, records of scientific misconduct, and the relevant clinical research cannot be directly applied to clinical practice. Additionally, the GCP also includes ethical regulations, and given that the "Administrative Measures on Stem Cell Clinical Research (Trial)" (2015) (《幹細胞臨床研究管理辦法(試行)》) requires compliance with GCP, violations of ethical regulations may trigger penalties under the "Drug Administration Law of PRC" (《中華人民共和國藥品管理法》) for violating GCP, including orders to rectify within a time limit, warnings, fines, orders to suspend business for rectification, and revocation of licenses.

U.S. and Europe

In the U.S., therapeutic products containing cells with more-than-minimal manipulation, including PSC-derived products, are deemed human cells, tissues, and cellular and tissue-based products under Section 351 of the Public Health Service Act and classified as biological products or medical devices. The U.S. federal government has implemented a series of policies for promoting the development of stem cell therapy products. In 2009, President Barack H. Obama issued Executive Order 13505: Removing Barriers to Responsible Scientific Research Involving Human Stem Cells. The executive order states that the Secretary of Health and Human Services, through the Director of National Institutes of Health, may support and conduct responsible, scientifically worthy human stem cell research, including hESC research, to the extent permitted by law. In 2016, pursuant to Section 3033 of the 21st Century Cures Act, the FDA is empowered to grant regenerative medicine advanced therapies designation, which aims to expedite the approval process for regenerative medicine therapies that treat serious diseases. However, laws are still divided on the state level with some states being supportive and some implement bans.

In the EU, cell-based therapeutic products, including PSC-derived products, are handled as ATMP, which require regulatory approval. For ATMPs derived from human cells and tissues, it is necessary to comply with Directive 2004/23/EC with respect to donors and processes such as cell preparation/ processing, storage, and transfer. In addition, the guidelines on GMP for ATMPs were established to regulate the manufacturing and quality control specific to ATMPs in the EU. The EU has yet to issue consistent regulations with respect to stem cell research in member states. However, the United Kingdom, Spain, Sweden and Greece have created the legal basis to support this research.

Japan

In recent years, the Japanese government has successively revised and introduced new regulations related to research and clinical treatment in the field of regenerative medicine. For example, the "Pharmaceuticals, Medical Devices, and Other Therapeutic Products Act," took effect in November 2014, implementing new provisions for the regulation of regenerative medicine products. In 2013 and 2014, the "Regenerative Medicine Promotion Act" and the "Act on the Safety of Regenerative Medicine" were issued, providing a legal basis for related products from research and development to clinical application.

Japan also implements a "dual regulation" system for cell therapy products. Overall, immune cell collection and treatment conducted solely within institutions, such as clinics or hospitals, are managed by the Ministry of Health, Labor, and Welfare. Cell therapy products intended for marketing are managed by the Pharmaceuticals and Medical Devices Agency. After clinical research confirms the safety and efficacy of regenerative medicine products, conditional approval can be obtained, allowing the products to be sold on the market for up to seven years. Once the efficacy of cell therapy products is demonstrated in clinical trials and applications, a sponsor can apply for full marketing approval of the product. This procedure is believed to significantly promote the availability of regenerative medicine products.

Growth Drivers and Future Trends

Key growth drivers and future development trends of the China stem cell-derived cell therapy are as follows:

- ***International cooperation and competition***. In the field of stem cell-derived cell therapy, China cooperates with some of the world's leading scientific research institutions and enterprises, introduces international advanced technology and experience, and improves its own research and development capabilities and competitiveness. At the same time, the development of stem cell-derived cell therapy is under international competition, which will drive the development of China's stem cell-derived cell therapy product market. Stem cell-derived cell therapy also attracts MNC's attention. Companies such as Bayer, AstraZeneca, Sanofi, Amgen and Gilead Sciences, have been actively involved in the research and development of technologies and stem cell-derived cell therapy products.

- ***Favorable policy***. The Chinese government has emphasized and supported the development of the biomedical field by introducing a series of supportive policies and incentives. These include increasing investment in scientific research, optimizing the regulatory and approval process, and promoting cooperation among industries, universities, and research institutes. These measures provide a favorable policy environment for the R&D of stem cell therapeutic products and the development of the market. In 2019, the CNIPA published the updated Guidelines for Patent Examination (《專利審查指南》). The guidelines indicate that China no longer excludes patent protection for "techniques for isolating or obtaining stem cells from human embryos that have not undergone *in vivo* development and have been fertilized for less than 14 days." This reflects the national policy trend of encouraging the development of regenerative medicine, a cutting-edge technological field, and will promote the development of hESC research in an orderly and controlled manner. In addition, the Chinese government has consistently supported the research and development of stem cell-derived cell therapy, which was manifested in its "Special Plan" (《專項規劃》) of "The Twelfth Five-Year Plan" (《"十二五"規劃》), "The Thirteenth Five-Year Plan" (《"十三五"規劃》) and "the Fourteenth Five-Year Plan" (《"十四五"規劃》) for National Economic and Social Development of China. For instance, the Company has received funding from the National Health Commission for the project "Proactive Health and Technological Responses to Population Aging: (《主動健康和人口老齡化科技應對》), as part of the "National Key R&D Program" (《國家重點研發計劃》). It has also obtained grants from the Beijing Municipal Bureau of Economy and Information Technology through the "Beijing Advanced Industries Development Fund Management Measures" (《北京高精尖產業發展資金管理辦法》). These favorable rules, policies and initiatives have significantly facilitated the development of stem cell-derived cell therapy.

- ***Growing therapeutic potential***. As China's population ages and the burden of chronic diseases increases, there is a growing need for more effective treatments and management methods. Stem cell-derived cell therapy, as an emerging biomedical technology, has great therapeutic potential and can provide patients with more treatment options. As a cell therapy treatment with cell replacement functions, stem cell-derived cell therapy is attracting companies and investors to enter the market.

- ***Expanded clinical applications***. With the continuous accumulation of clinical trial data and the promotion of clinical application, the scope of clinical application of stem cell-derived cell therapeutic products will continue to expand, from the current main hematopoietic stem cell transplantation to a wider range of tissue repair and replacement fields, including cardiovascular diseases, neurological diseases, and orthopedic diseases.

- ***Higher public acceptance***. With the continuous advancement of stem cell technology and the increase of application examples, it is expected that public awareness of stem cell-derived cell therapy products in China will gradually increase in the future. The government and relevant organizations are likely to increase their investment in education and publicity to enhance the public's understanding of the potential benefits and risks of stem cell-derived cell therapy. Increased public trust will drive market acceptance and demand.

MAJOR INDICATIONS

hESCs can be differentiated into different functional cells, including but not limited to M cells, mDAP cells, RPE cells, and CEnCs. These stem cell-derived functional cells can be developed into cell therapy products for treating various diseases. M cells expand in the microenvironment and receive growth signals that determine their cell fate. These signals include cells, cell-matrix interactions, and transcriptional programs that activate and/or repress genes. Through these mechanisms of action, M cells can be used for the treatment of various diseases including AE-ILD, aGVHD, meniscus injuries, and ARDS. mDAP cells can function through two different mechanisms of action to treat CNS diseases including Parkinson's disease. They can replace damaged dopamine neurons, increase dopamine synthesis and release and promote neuronal reconstruction and functional recovery. RPE cells also function through two different mechanisms of action to maintain or restore retinal barrier function. They can replace damaged RPE cells, and provide nutrition and support and also inhibit inflammation and oxidative stress. RPE cells can be used to treat dry AMD. CEnCs mainly function through replacing or repairing damaged corneal endothelial cells to restore the normal structure and function of the cornea. They can be used to treat corneal endothelium decompensation.

AE-ILD

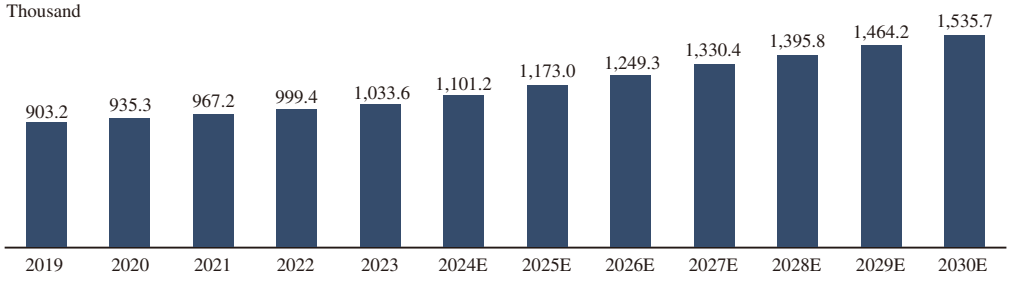
Overview

AE-ILD refers to acute respiratory dysfunction or respiratory failure in patients with chronic fibrotic ILD, usually leading to hospitalization or admission to the ICU. AE-ILD is defined as a patient who (1) is diagnosed with ILD, (2) has acute worsening or development of dyspnea, typically lasts for less than one month, (3) has new bilateral ground-glass opacity and/or consolidation superimposed on a background of usual interstitial pneumonia observed through a CT scan, and (4) experiences a worsening condition that cannot be fully attributed to fluid overload or heart failure. Certain factors can contribute to the increase of the risk for AE-ILD, including bacterial or viral infections, air pollution, aspiration events, drugs, surgery leading to acceleration of fibroproliferative response, and transfusions. AE-ILD is a severe condition, leading to high in-hospital mortality rates of approximately 21% according to a 2017–2022 study of AE-ILD patients hospitalized at the Beijing Institute of Respiratory Medicine and Beijing Chaoyang Hospital.

The global incidence of AE-ILD is expected to grow steadily, from 903.2 thousand in 2019 to 1,033.6 thousand in 2023 at a CAGR of 3.4% from 2019 to 2023. It is estimated to reach 1,330.4 thousand in 2027 at a CAGR of 6.5% from 2023 to 2027, and further increase to 1,535.7 thousand in 2030 at a CAGR of 4.9% from 2027 to 2030.

Global incidence of AE-ILD, 2019–2030E

Period	CAGR
2019-2023	3.4%
2023-2027E	6.5%
2027E-2030E	4.9%

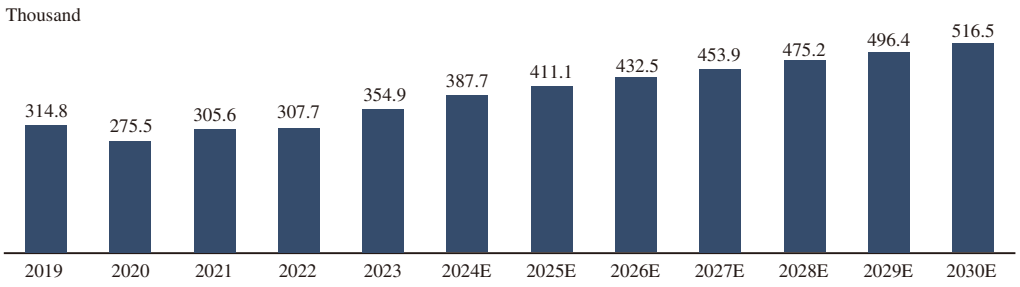


Source: Frost & Sullivan Analysis

The incidence of AE-ILD in China was 314.8 thousand in 2019 and increased to 354.9 thousand in 2023. The fluctuation during this period is attributed to declines in hospitalizations during the COVID-19 outbreak. It is estimated to reach 453.9 thousand in 2027 and increase to 516.5 thousand in 2030, at a CAGR of 6.3% from 2023 to 2027 and a CAGR of 4.4% from 2027 to 2030.

Incidence of AE-ILD in China, 2019–2030E

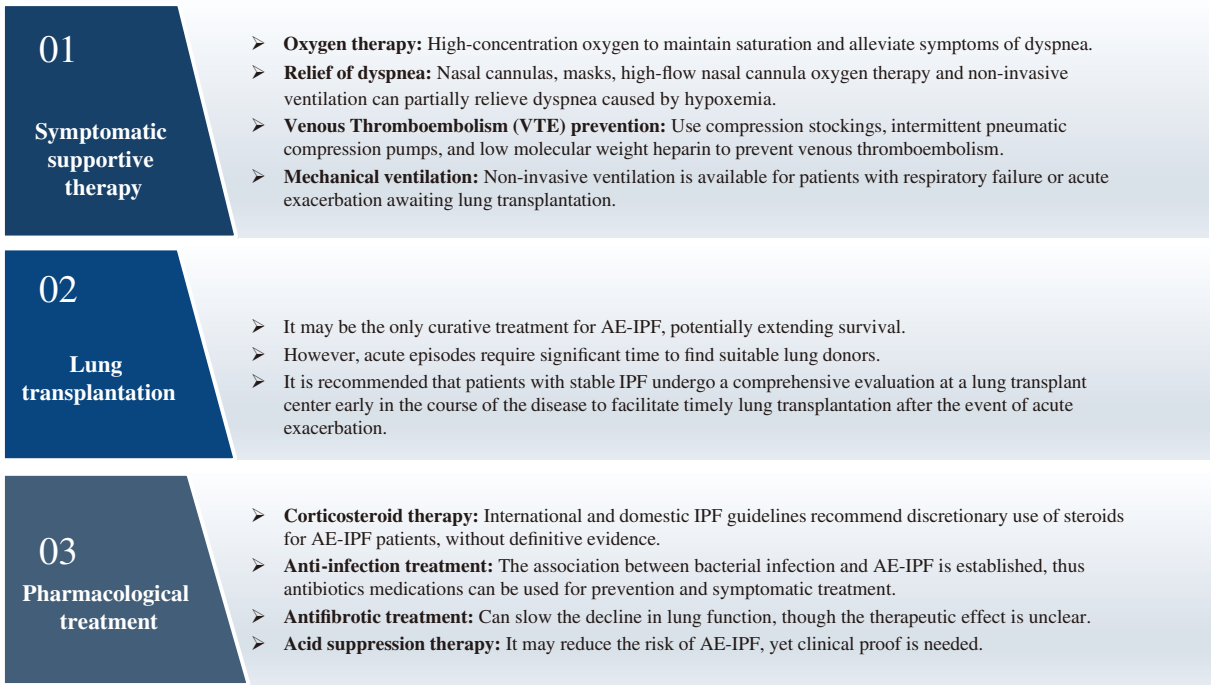
Period	CAGR
2019-2023	3.0%
2023-2027E	6.3%
2027E-2030E	4.4%



Source: Frost & Sullivan Analysis

As of the Latest Practicable Date, there were no effective treatments globally for AE-ILD, and no innovative drugs were under clinical development, except for ZH901. Current treatment primarily focus on oxygen therapy. Medications such as corticosteroids, immunosuppressive agents and broad-spectrum antibiotics are also used, but they lack clear clinical benefits. In the absence of effective treatments, ventilatory support is ineffective in altering the prognosis of the disease, while invasive techniques such as invasive mechanical ventilation and extracorporeal membrane oxygenation are mainly used for patients listed for lung transplantation and cannot be used for long-term treatment to relieve patients' symptoms.

Treatment Paradigm of AE-ILD in China



Note: Currently, acute exacerbation is only defined in idiopathic pulmonary fibrosis ("IPF"), and there is no cohesive definition of acute exacerbation in other ILDs. However, similar criteria are often used. Therefore, it is recommended that AE-ILD be defined using the same clinical criteria as AE-IPF. The treatment pathway for AE-IPF may also be applicable to AE-ILD.

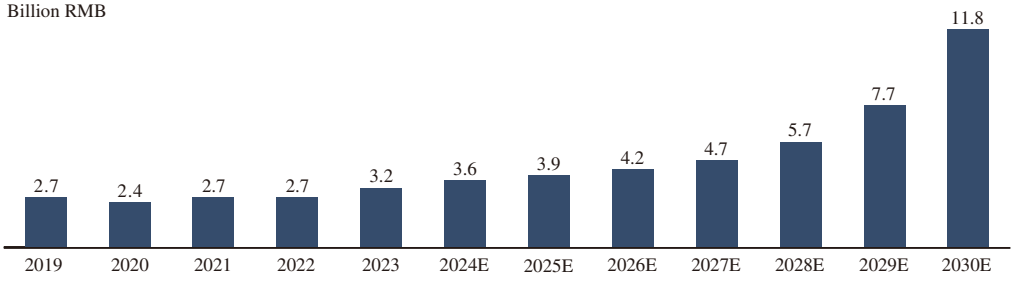
Source: Literature Review, Frost & Sullivan Analysis

Market Size

In China, the market size of AE-ILD increased from RMB2.7 billion in 2019 to RMB3.2 billion in 2023 with a CAGR of 4.6% from 2019 to 2023. The number is projected to reach RMB4.7 billion in 2027 and increase to RMB11.8 billion in 2030 with CAGRs of 10.1% and 35.8% from 2023 to 2027 and 2027 to 2030, respectively.

AE-ILD Market in China, 2019–2030E

Period	CAGR
2019-2023	4.6%
2023-2027E	10.1%
2027E-2030E	35.8%



Source: Frost & Sullivan Analysis

Competitive Landscape of Stem Cell-Derived Cell Therapy Products for AE-ILD

As of the Latest Practicable Date, there were no innovative biologics available for AE-ILD in China, and currently available treatments remain conventional. As of the Latest Practicable Date, ZH901 was the first and the only stem cell-derived cell therapy product under clinical development for the treatment of AE-ILD in China.

Competitive Landscape of Therapeutic Stem Cell-Derived Cell Therapy Products for AE-ILD under Clinical Development in China

Drug Name	Product	Company	Indication	Source of cells	Clinical Phase	First Posted Date
ZH901	hESC-derived M cell injection	Beijing Zephyrm Technology Co., Ltd	AE-ILD	hESCs	II	2023/07/04

Source: CDE, Frost & Sullivan Analysis

aGVHD

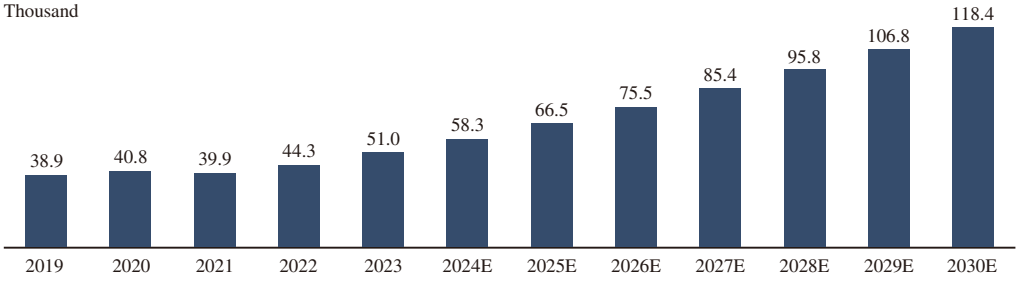
Overview

GVHD is a systemic inflammatory condition where donor-derived lymphocytes recognize recipient antigens as foreign, leading to an immune response where activated T cells attempt to eliminate the host's antigen-bearing cells. This can cause severe multiorgan damage. The main clinical presentations are aGVHD and chronic GVHD. Despite advances in prophylaxis and therapy, this life-threatening complication limits the broader application of allo-HSCT. aGVHD can be particularly severe, leading to rapid onset of symptoms and potentially life-threatening complications.

The global incidence of aGVHD was 38.9 thousand in 2019 and increased to 51.0 thousand in 2023, at a CAGR of 7.0% from 2019 to 2023. It is estimated to reach 85.4 thousand in 2027 and increase to 118.4 thousand in 2030, at a CAGR of 13.7% from 2023 to 2027 and a CAGR of 11.5% from 2027 to 2030. The incidence of aGVHD in China was 5.5 thousand in 2019 and increased to 8.6 thousand in 2023, at a CAGR of 11.9% from 2019 to 2023. It is estimated to reach 17.0 thousand in 2027 and increase to 27.3 thousand in 2030, at a CAGR of 18.4% from 2023 to 2027 and a CAGR of 17.2% from 2027 to 2030.

Global incidence of aGVHD, 2019-2030E

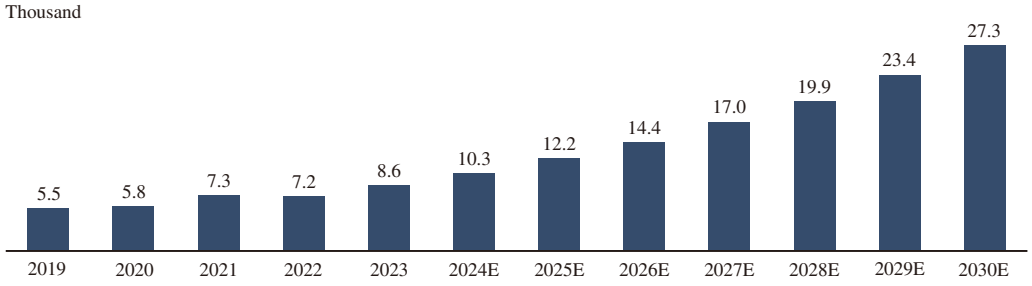
Period	CAGR
2019-2023	7.0%
2023-2027E	13.7%
2027E-2030E	11.5%



Source: Frost & Sullivan Analysis

Incidence of aGVHD in China, 2019–2030E

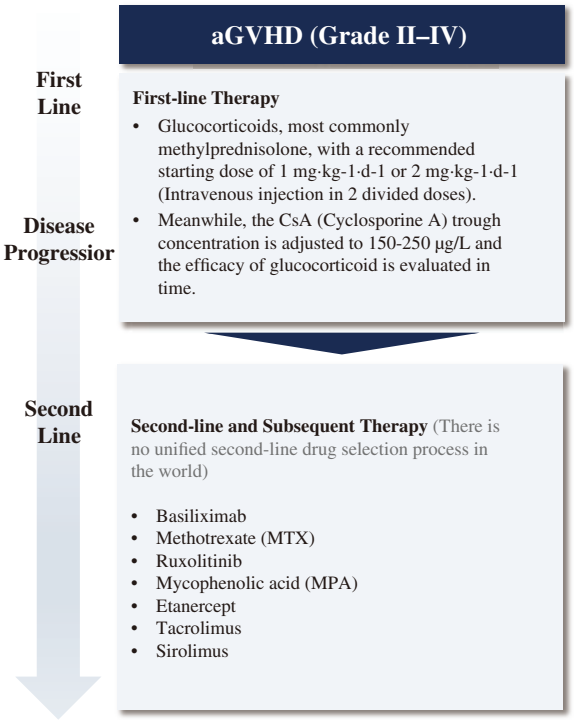
Period	CAGR
2019-2023	11.9%
2023-2027E	18.4%
2027E-2030E	17.2%



Source: Frost & Sullivan Analysis

The first-line treatment for aGVHD is corticosteroid. However, the efficacy of such treatment is less than 50%, with only one-third of effective patients experiencing sustained relief. In China, ruxolitinib has been approved as a second-line treatment of aGVHD. However, ruxolitinib's hematological toxicity often leads to treatment interruption. As of the Latest Practicable Date, there were no innovative biologics available in China for the treatment of aGVHD. Therefore, there is an urgent need for long-term unmet clinical demands in aGVHD.

Treatment Paradigm of aGVHD in China



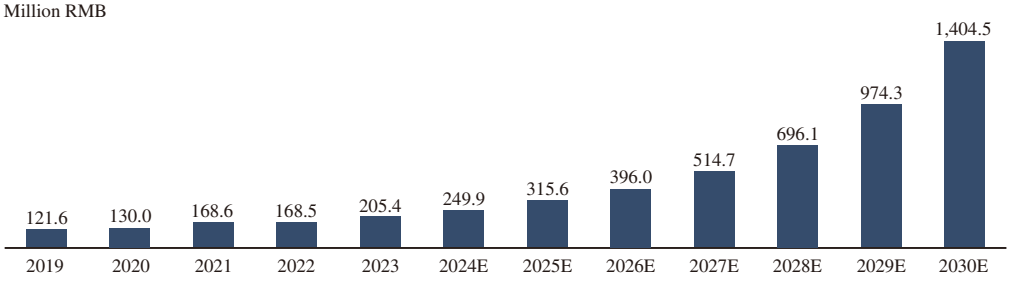
Source: Literature Review, Frost & Sullivan Analysis

Market Size

China's aGVHD drug market size reached RMB205.4 million in 2023, with a CAGR of 14.0% from 2019 to 2023. The market size is expected to reach RMB514.7 million in 2027, with a CAGR of 25.8% from 2023 to 2027. The market will further grow to RMB1,404.5 million in 2030, with a CAGR of 39.7% from 2027 to 2030.

aGVHD Market in China, 2019–2030E

Period	CAGR
2019-2023	14.0%
2023-2027E	25.8%
2027E-2030E	39.7%



Source: Frost & Sullivan Analysis

Competitive Landscape of Stem Cell-Derived Cell Therapy Products for aGVHD

As of the Latest Practicable Date, there were no innovative biologics available for aGVHD in China, and currently available treatments remain conventional. As of the Latest Practicable Date, there were five stem cell-derived cell therapy products under clinical development for the treatment of aGVHD in China. ZH901 was the first and the only hESC-derived cell therapy product under development for the treatment of aGVHD in China.

Competitive Landscape of Stem Cell-Derived Cell Therapy Products under Clinical Development for GVHD in China

Drug Name	Product	Company	Indication	Source of cells	Clinical Phase	First Posted Date
hUC-MSCPLEB001 (艾米邁托賽注射液)	Human umbilical cord MSC injection	Platinumlife Excellence Biotechnology (Beijing) Co., Ltd.	aGVHD with steroid therapy failure (Proposed indication)	ASCs	BLA	2024/06/25
ZH901	**hESC-derived M cell injection**	**Beijing Zephyrm Technology Co., Ltd**	**aGVHD**	**hESCs**	**II**	**2023/07/18**
VUM02	Human umbilical cord tissue-derived MSCs injection	Wuhan Guanggu VcanBio Pharmaceutical Co., Ltd	Steroid therapy failure in grade II to IV acute graft-versus-host disease (SR-aGvHD).	ASCs	I/II	2024/05/13
Amcell	MSCs for injection (umbilical cord)	Tianjin Angsai Cell Gene Engineering Co., Ltd.	Refractory aGVHD	ASCs	I/II	2022/06/06
N/A	Human amniotic epithelial stem cell injection	iCell Therapeutics	Grade III-IV refractory aGVHD	ASCs	I	2023/11/13

Abbreviations: N/A = not applicable;

Source: CDE, Frost & Sullivan Analysis

Meniscus Injuries

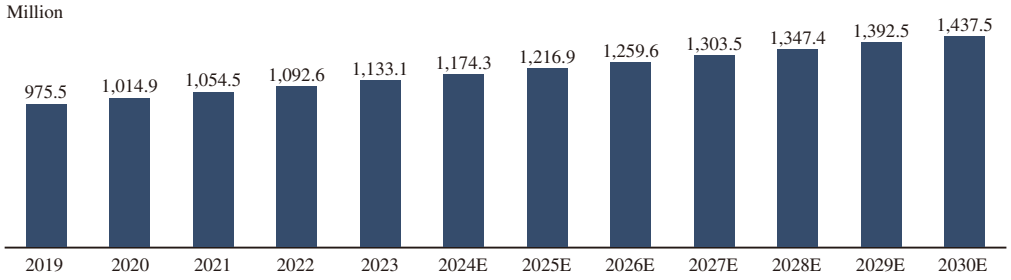
Overview

Meniscus injuries are characterized by localized knee joint pain, occasional knee locking, quadriceps atrophy, and tenderness in the knee joint space. After a meniscus injury, the knee joint often experiences severe pain, inability to extend fully, and swelling. Tenderness in the knee joint space is a key indicator of meniscus injury. The injury mechanism involves contradictory movements of the meniscus caused by knee motion and sudden changes in direction. When the knee extends (or flexes) while simultaneously rotating internally (or externally), one side of the meniscus experiences conflicting forward and backward twisting. In a semi-flexed position, calf rotation can squeeze the meniscus, and if the knee is suddenly straightened or further rotated, the meniscus, fibrous cartilage, or peripheral fibrous tissue can tear under tension exceeding their capacity. Long-term squatting or kneeling can cause posterior displacement of the medial meniscus, with the bottom corner being squeezed between the condyles and the anterior horn being pulled. Prolonged compression and abrasion can lead to degeneration and increase the risk of tearing.

The global prevalence of meniscus injury was 975.5 million in 2019 and reached 1,133.1 million in 2023, with a CAGR of 3.8% from 2019 to 2023. It is estimated to reach 1,303.5 million in 2027 with a CAGR of 3.6% from 2023 to 2027. In 2030, the number is projected to reach 1,437.5 million, at a CAGR of 3.3% from 2027 to 2030. The prevalence of meniscus injury in China was 162.2 million in 2019 and reached 182.7 million in 2023, with a CAGR of 3.0% from 2019 to 2023. It is estimated to reach 200.9 million in 2027 with a CAGR of 2.4% from 2023 to 2027. In 2030, the number is projected to reach 214.0 million, at a CAGR of 2.1% from 2027 to 2030.

Global Prevalence of Meniscus Injury, 2019-2030E

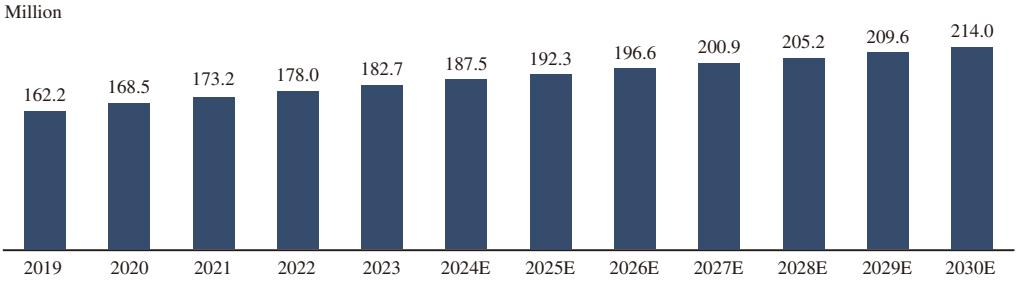
Period	CAGR
2019-2023	3.8%
2023-2027E	3.6%
2027E-2030E	3.3%



Source: Frost & Sullivan Analysis

Prevalence of Meniscus Injury in China, 2019-2030E

Period	CAGR
2019-2023	3.0%
2023-2027E	2.4%
2027E-2030E	2.1%



Source: Frost & Sullivan Analysis

As of the Latest Practicable Date, there were no innovative drugs for meniscus injuries. Conventional treatments are offered for Grade II or below injuries in clinical practice, including immobilization, acupuncture and Tui na, rehabilitation training, and non-steroidal anti-inflammatory drugs, such as ketoprofen gel, diclofenac cream, and flurbiprofen gel patches. These conventional treatments only provide temporary symptom relief without halting disease progression. For injuries of Grade III and above, which are associated with symptoms (pain, swelling, clicking) and signs (joint locking, limited mobility), surgery is generally required. For severe Grade IV meniscus injuries that require partial or complete removal of the meniscus, even partial meniscectomy can still lead to cartilage degeneration in the knee joint. Additionally, after partial meniscectomy, the meniscus may experience uneven stress distribution, resulting in new tears in other areas of the meniscus in some patients, which may require further treatment. Therefore, there is an urgent medical need for innovative drugs that can promote meniscus injury repair.

Treatment Paradigm of Meniscus Injury in China

Conservative treatment	• **Immobilization**: In the case of acute injury, the knee joint is fixed with a plaster or brace to limit the movement of the joint, which can avoid further aggravation of the injury and create good repair conditions. • **Acupuncture and tui na**: Pain is a common symptom of meniscus injury. Acupuncture and tui na treatment play a role in promoting blood circulation, clearing meridians and relieving pain. In addition, pain can lead to joint stiffness and muscle tension. Through the benign stimulation of acupuncture and massage on acupoints, pain can be relieved, muscle tension can be reduced. • **Rehabilitation training**:. Joint immobilization can lead to muscle atrophy. After surgery, joint activity will also be significantly reduced due to pain and other reasons, which is also easy to lead to muscle atrophy. In the long run, it will lead to decreased joint stability and eventually may induce arthritis. Through training, muscle atrophy can be prevented and joint stability can be improved. • **Drug therapy**: Non-steroidal anti-inflammatory drugs can be used, such as ketoprofen gel, diclofenac cream, flurbiprofen gel patches, etc.

Surgical treatment	• **Arthroscopic suture repair**: Arthroscopic surgery is an important treatment modality for meniscal injuries, which is mainly categorized into meniscectomy and meniscus repair. The three most common suturing methods are: intra-articular, transarticular inside-out, and transarticular outside-in. The most common suture is the total intra-articular suture, with the Fast-Fix technique being more effective, easier to perform, and more widely used. • Due to the alteration of knee biomechanics by meniscectomy, it is now widely accepted that the overall structure of the meniscus should be preserved as much as possible to repair the meniscus breakage, slow down the progression of knee osteoarthritis, and protect the biomechanical function of the knee joint • **Graft Reconstruction Therapy**: Some meniscus injuries are not amenable to suture repair and can only be treated with graft reconstruction. The most common reconstructive materials are allogeneic menisci, autologous replacement grafts, xenografts, and synthetic materials.

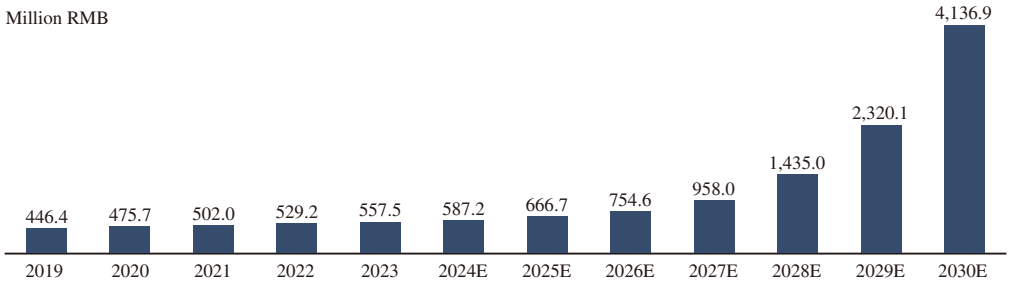
Source: Literature Review, Frost & Sullivan Analysis

Market Size

In China, the market size of meniscus injury increased from RMB446.4 million to RMB557.5 million with a CAGR of 5.7% from 2019 to 2023. The number is projected to reach RMB958.0 million in 2027 and further increase to RMB4,136.9 million in 2030 with CAGRs of 14.5% and 62.8% from 2023 to 2027 and 2027 to 2030, respectively.

Meniscus Injury Market in China, 2019–2030E

Period	CAGR
2019-2023	5.7%
2023-2027E	14.5%
2027E-2030E	62.8%



Note: The market size calculation is based on the estimate that by 2030, more than 10 million patients with meniscus injuries will receive medication, and over 7 million will undergo surgical treatment.

Source: Frost & Sullivan Analysis

Competitive Landscape of Stem Cell-Derived Cell Therapy Products for Meniscus Injury

As of the Latest Practicable Date, there were no innovative biologics available for meniscus injury in China, and currently available treatments remain conventional. As of the Latest Practicable Date, ZH901 was the first and the only stem cell-derived cell therapy product under clinical development for the treatment of meniscus injury in China.

Competitive Landscape of Stem Cell-Derived Cell Therapy Product for Meniscus Injury under Clinical Development in China

Drug Name	Product	Company	Indication	Source of cells	Clinical Phase	First Posted Date
ZH901	hESC-derived M cell injection	Institute of Zoology, CAS/Beijing Zephyrm Technology Co., Ltd[1]	Meniscus injury	hESCs	I/II	2022/02/08

Note:

1. Beijing Zephyrm Technology Co., Ltd is the sole sponsor of this clinical trial. Institute of Zoology of CAS served as the co-applicant.

Source: CDE, Frost & Sullivan Analysis

ARDS

Overview

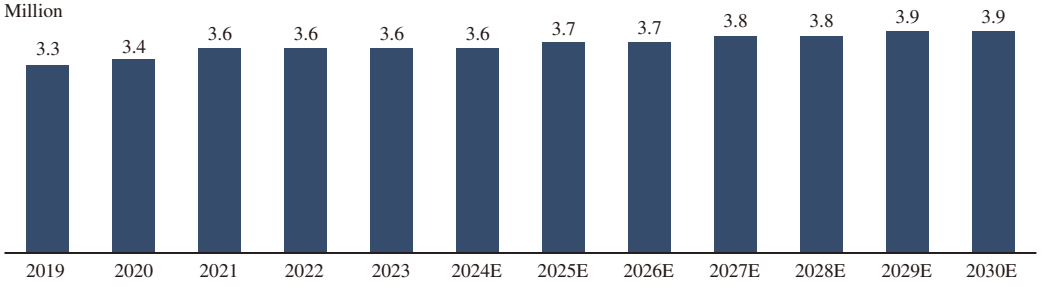
ARDS is a life-threatening lung injury that allows fluid to leak into the lungs, making it difficult to get oxygen into the bloodstream. ARDS occurs when lungs are severely injured, often by infection or trauma. In ARDS, fluid builds up inside the tiny air sacs of the lungs, and surfactant breaks down. Surfactant is a foamy substance made by one's body that keeps lungs fully expanded so one can breathe. The fluid buildup and lack of surfactant can happen because ARDS prevents the lungs from properly filling with air and moving enough oxygen into the bloodstream and throughout the body. The lung tissue may scar and become stiff. Major clinical symptoms of ARDS patients consist of breathing difficulties (dyspnea), rapid breathing (tachypnea), bluish skin coloration (cyanosis), decreased levels of oxygen in the circulating blood (hypoxemia), and at a later stage lethargy or even becoming comatose. ARDS onset is rapid, with a high mortality rate of 40%, necessitating intervention for all patients. If not promptly treated, the mortality rate exceeds 80%, with approximately 90% of deaths occurring within the first 2 to 3 weeks, indicating the urgency and importance of timely treatment for ARDS.

The global incidence of ARDS was 3.3 million in 2019 and reached 3.6 million in 2023 at a CAGR of 2.0% from 2019 to 2023. It is estimated to reach 3.8 million in 2027 at a CAGR of 1.2% from 2023 to 2027, and further increase to 3.9 million in 2030 at a CAGR of 1.1% from 2027 to 2030. The incidence of

ARDS in China was 106.9 thousand in 2019 and reached 110.3 thousand in with a CAGR of 0.8% from 2019 to 2023. It is estimated to reach 111.0 thousand in 2027 and increase to 111.5 thousand in 2030, at a CAGR of 0.2% from 2023 to 2027 and a CAGR of 0.1% from 2027 to 2030.

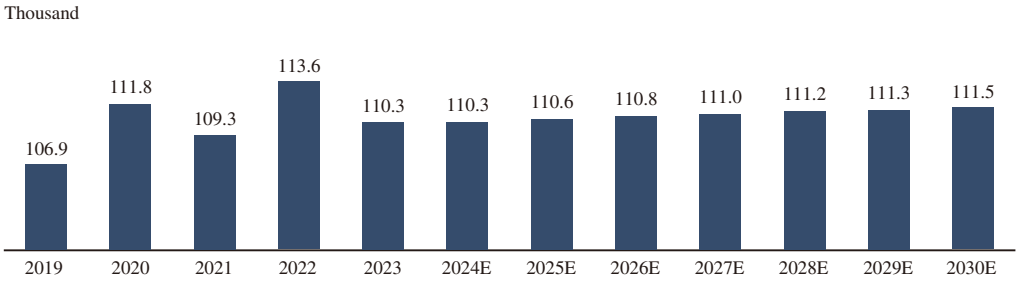
Global Incidence of ARDS, 2019–2030E

Period	CAGR
2019-2023	2.0%
2023-2027E	1.2%
2027E-2030E	1.1%



Incidence of ARDS in China, 2019-2030E

Period	CAGR
2019-2023	0.8%
2023-2027E	0.2%
2027E-2030E	0.1%



Source: Frost & Sullivan Analysis

The major treatment strategies of ARDS surround respiratory support, extracorporeal life support, and pharmacological treatment. As of the Latest Practicable Date, there were no effective treatments for ARDS, and treatments typically included statins, aspirin, antioxidants, inhaled corticosteroids, and pulmonary surfactants. However, these treatments not only have limited efficacy but also may lead to fatal adverse events. Mechanical ventilation therapy is also utilized, yet the treatment method may induce barotrauma, lung injury, and pneumonia. As such, there were significant unmet medical needs for the treatment of ARDS.

Treatment Paradigm of ARDS in China

01 Respiratory Support Strategies

- **Non-Invasive Positive Pressure Ventilation (NPPV):**
  - Alternative initial support for mild ARDS; reduces hospital mortality.
- **Invasive Mechanical Ventilation:**
  - Essential treatment for ARDS but carries the risk of ventilator induced lung injury (VILI).

- Low Tidal Volume to prevent VILI.
- **Positive end-expiratory pressure (PEEP)** for oxygenation improvement and reduced mortality
- **Recruitment Manoeuvres (RM)** for reopening of unstable, collapsed alveoli by transiently increasing transpulmonary pressure
- **Prone Position Ventilation (PPV)** for more uniform ventilation and perfusion distribution in the lungs
- **Airway Pressure Release Ventilation (APRV)** and **High-Frequency Oscillatory Ventilation (HFOV)** for specific ventilation needs.

02 Extracorporeal Life Support

- **Extracorporeal membrane oxygenation (ECMO):**
  - For patients with severe hypoxic ARDS, ECMO serves as a rescue therapy, providing temporary cardiopulmonary support and improving oxygenation and survival rates.
- **Punpless extracorporeal lung assist system (pECLA):**
  - Utilizing the patient's own blood flow as the driving force to assist in carbon dioxide removal, suitable for specific cases of ARDS patients.

03 Pharmacological Treatment

- **Corticosteroids:**
  - Anti-inflammatory and immunosuppression effects.
- **Neuromuscular Blocking Agents (NMBAs):**
  - Reduce VILI and improve oxygenation.
- **Other Medications:** Including antiproteases and antioxidants, although no breakthrough progress has been made yet, these drugs still hold potential for research and application in the treatment of ARDS.

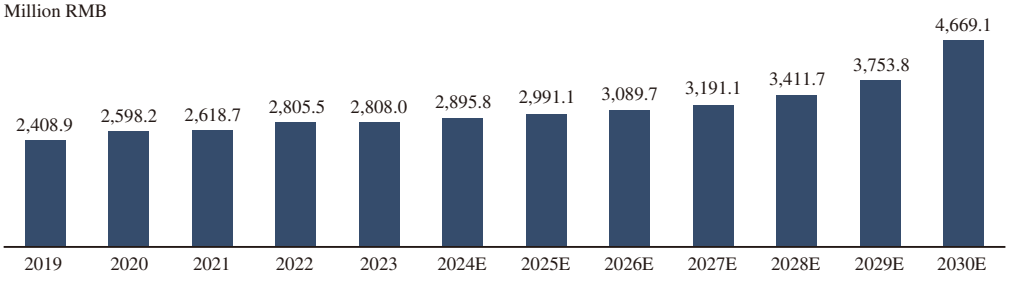
Source: Literature Review, Frost & Sullivan Analysis

Market Size

China's ARDS drug market size reached RMB2,808.0 million in 2023, with a CAGR of 3.9% from 2019 to 2023. The market size is expected to reach RMB3,191.1 million in 2027, with a CAGR of 3.2% from 2023 to 2027. The market will further grow to RMB4,669.1 million in 2030, with a CAGR of 13.5% from 2027 to 2030.

ARDS Drug Market in China, 2019-2030E

Period	CAGR
2019-2023	3.9%
2023-2027E	3.2%
2027E-2030E	13.5%



Source: Frost & Sullivan Analysis

Competitive Landscape of Stem Cell-Derived Cell Therapy Products for ARDS Treatment

As of the Latest Practicable Date, there were no innovative biologics available for ARDS in China, and currently available treatments remain conventional. As of the Latest Practicable Date, there were five stem cell-derived cell therapy products for ARDS under clinical development in China. Among them, ZH901 was the first and the only cell therapy product candidate derived from hESCs, and was the most clinically advanced cell therapy product candidate for ARDS treatment in China.

Competitive Landscape of Pipeline of Stem Cell-Derived Cell Therapy Products for ARDS under Clinical Development in China

Drug Name	Product	Company	Indication	Source of Cells	Clinical Phase	First Posted Date
ZH901	**hESC-derived M cell injection**	**Beijing Zephyrm Technology Co., Ltd**	**ARDS**	**hESCs**	**II**	**2022/06/21**
N/A	Human umbilical cord MSC injection	Hangzhou S-Evans Biosciences Co.,LTD.	Moderate to severe ARDS	ASCs	I/II	2024/03/13
Amcell	MSCs for injection (umbilical cord)	Tianjin Angsai Cell Gene Engineering Co.,Ltd.	ARDS	ASCs	I/II	2023/03/01
N/A	Human umbilical cord MSC injection	Zhejiang Q-Stem Biotechnology Co., Ltd	Mild-to-moderate ARDS	ASCs	I	2023/02/14
CG-BM1	Allogeneic human bone marrow mesenchymal stem cell injection	Guangzhou Saijun Biotechnology Co., Ltd	Moderate to severe adult ARDS caused by infection	ASCs	I	2022/06/23

Abbreviations: N/A = not applicable.

Source: CDE, Frost & Sullivan Analysis

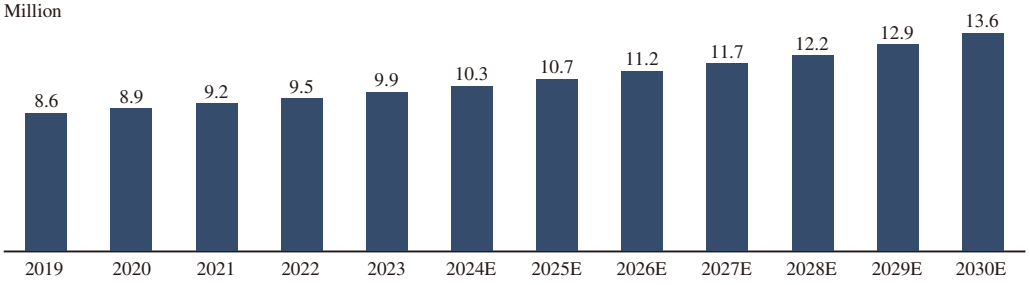
Parkinson's disease

Parkinson's disease is a neurological disorder characterized by shaking, stiffness, and difficulties with walking, balance, and coordination. In the brain, there is a region called the substantia nigra, where certain cells produce dopamine, a neurotransmitter that facilitates communication between nerve cells. Dopamine is essential for transmitting messages that control movement. In individuals with Parkinson's disease, the cells in the substantia nigra begin to degenerate and die. As these cells are lost, dopamine levels decrease, impairing the brain's ability to send movement-related messages, thus affecting the control of bodily movements.

The global prevalence of Parkinson's disease was 8.6 million in 2019 and reached 9.9 million in 2023, with a CAGR of 3.5% from 2019 to 2023. The number is expected to reach 11.7 million in 2027 and further increase to 13.6 million in 2030, at a CAGR of 4.3% from 2023 to 2027 and a CAGR of 5.2% from 2027 to 2030. The prevalence of Parkinson's disease in China was 2.7 million in 2019 and reached 3.2 million in 2023, with a CAGR of 4.1% from 2019 to 2023. It is estimated to reach 4.1 million in 2027 and further increase to 5.1 million in 2030, at a CAGR of 6.2% from 2023 to 2027 and a CAGR of 7.9% from 2027 to 2030.

Global Prevalence of Parkinson's Disease, 2019-2030E

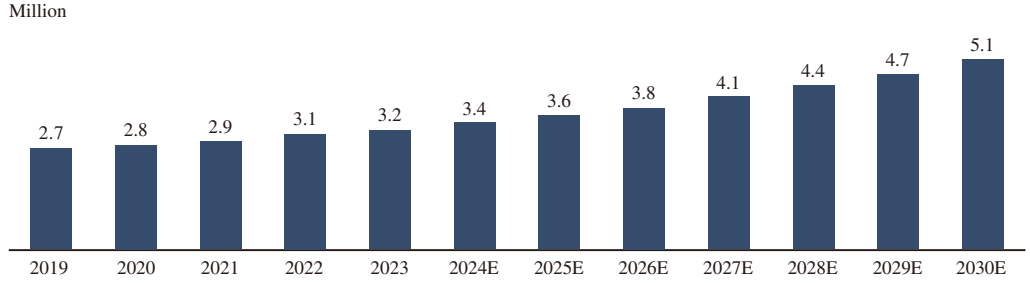
Period	CAGR
2019-2023	3.5%
2023-2027E	4.3%
2027E-2030E	5.2%



Source: Frost & Sullivan Analysis

Prevalence of Parkinson's Disease in China, 2019-2030E

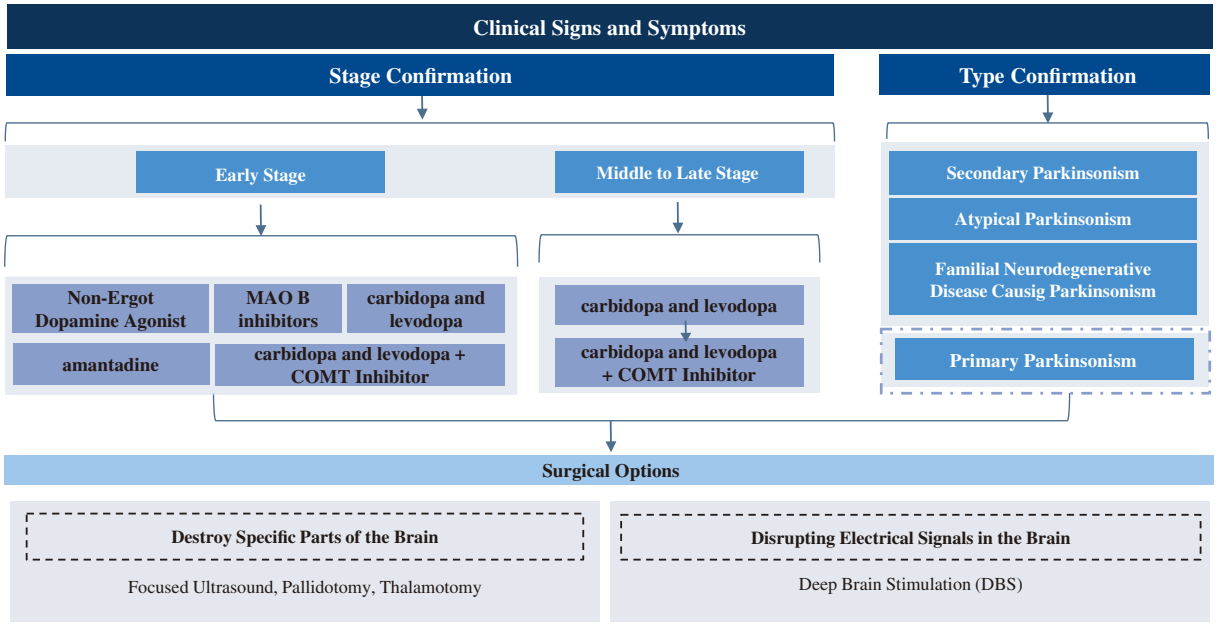
Period	CAGR
2019-2023	4.1%
2023-2027E	6.2%
2027E-2030E	7.9%



Source: Frost & Sullivan Analysis

There is no cure for Parkinson's disease, but some treatment and support can help to manage the symptoms. Motor symptoms are managed with carbidopa/levodopa, MAO-B inhibitors, and non-Ergot dopamine agonists. Prolonged use and higher doses of levodopa result in dyskinesias and motor symptom fluctuations over time. Deep brain stimulation surgery is performed for patients who do not achieve adequate control with levodopa therapy. Deep brain stimulation is most effective for significant motor fluctuations, dyskinesias, and tremors. However, it is ineffective for cognitive and psychiatric dysfunctions. Nonmotor symptom therapies target patient-specific conditions during the disease course. Interdisciplinary team care can alleviate multiple symptoms of Parkinson's disease. None of the aforementioned treatments can regenerate neuronal cells or alter the course of the disease.

Treatment Paradigm of Parkinson's Disease in China



Source: Literature Review, Frost & Sullivan Analysis

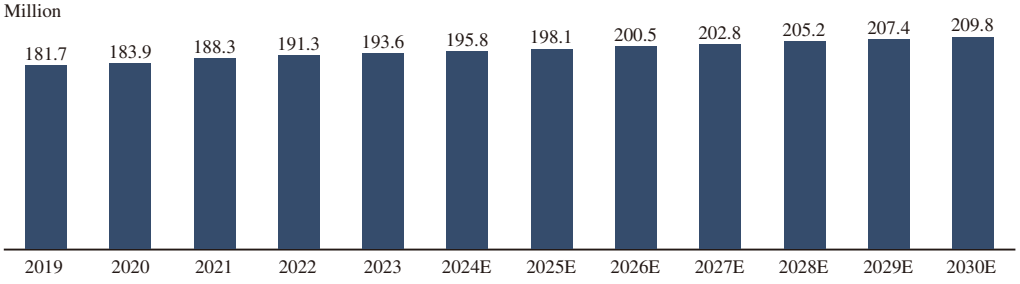
Dry AMD

Dry AMD occurs when parts of the macula progressively thin with age, accompanied by the formation of small protein clusters known as drusen. Individuals with dry AMD may exhibit drusen, pigment irregularities, or geographic atrophy (cell loss in the retina). Symptoms of dry macular degeneration typically manifest gradually and painlessly, including visual distortions (e.g., straight lines appearing curved), reduced central vision in one or both eyes, increased blurriness of printed text, and difficulty recognizing faces. Risk factors for dry AMD encompass age, family history and genetic predisposition, race, smoking habits, obesity, and cardiovascular disease.

The global prevalence of dry AMD was 181.7 million in 2019 and reached 193.6 million in 2023, with a CAGR of 1.6% from 2019 to 2023. The number is expected to reach 202.8 million in 2027 and further increase to 209.8 million in 2030, at a CAGR of 1.2% from 2023 to 2027 and a CAGR of 1.1% from 2027 to 2030. The prevalence of dry AMD in China was 33.2 million in 2019 and had reached 36.6 million in 2023, with a CAGR of 2.5% from 2019 to 2023. It is estimated to reach 39.7 million in 2027 and increase to 41.8 million in 2030, at a CAGR of 2.1% from 2023 to 2027 and a CAGR of 1.7% from 2027 to 2030.

Global Prevalence of Dry AMD, 2019-2030E

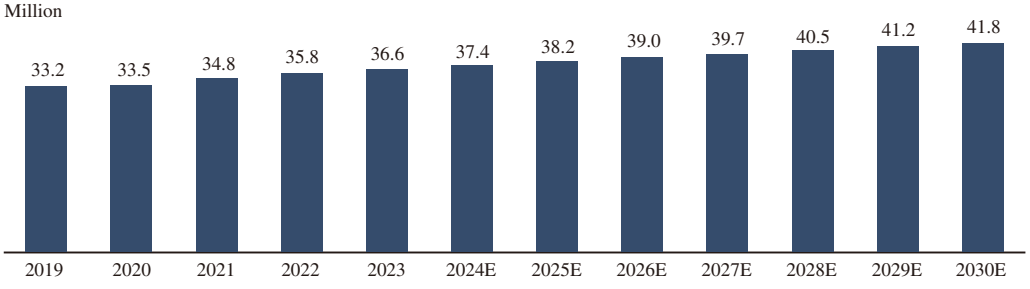
Period	CAGR
2019-2023	1.6%
2023-2027E	1.2%
2027E-2030E	1.1%



Source: Frost & Sullivan Analysis

Prevalence of Dry AMD in China, 2019–2030E

Period	CAGR
2019-2023	2.5%
2023-2027E	2.1%
2027E-2030E	1.7%



Source: Frost & Sullivan Analysis

Currently, there is no effective treatment for dry AMD in China. Most patients suffer from retinal atrophy in the macular area, which affects central vision. The main therapeutic approaches focus on improving resistance to oxidative stress and reducing the accumulation of harmful substances.

Treatment Paradigm of Dry AMD in China

Improve antioxidative stress injury	• Studies have shown that the macula is very sensitive to oxidative stress. Patients can take antioxidant foods (vitamins B6, B9, B12, as well as saffron extract, turmeric, lutein, zeaxanthin, and resveratrol) at an early stage.
Decrease accumulation of harmful substances	• Damage caused by A2E to RPE cells is one of the symptoms of dry AMD, and Fenretinide and ACU-4429 may attenuate the damage of delayed dry AMD disease by reducing the accumulation of A2E in the RPE.
Regulate inflammation and immune response	• Studies have shown that chronic inflammation of the RPE, Bruch's membrane and choroid is closely related to the development of dry AMD. Patients can apply rapamycin and eculizumab to modulate inflammation, but these drugs are not effective treatments to cure dry AMD.
Decrease the formation of vitreous verruca	• Vitreous warts are a common symptom of AMD, and their main component is beta amyloid, which causes retinal degeneration. Anti-β amyloid antibodies were found to have a protective effect against RPE in animal models, but further clinical trials are needed to validate this.
Improving choroidal perfusion	• The choroid provides nutrients and oxygen to the outer retinal nuclear layer and RPE cells and transports metabolic wastes. Intravenous Alprostadil dilates blood vessels, improves hemodynamics, and improves visual acuity in patients with retinal mapillary atrophy.
Nutritional Neurological Therapy	• Ciliary neurotrophic factor (CNTF) is a pro-neuronal cell growth factor that protects photoreceptors. The alpha-adrenergic receptor has been demonstrated as a new therapeutic target to provide photoreceptor protection. Doxazosin and guanaben are two FDA-approved drugs.
Gene and Stem Cell-Derived Cell Therapy	• At present, many studies have found that mutations in multiple gene loci are related to dry AMD. Stem cell transplantation is the most promising treatment for atrophic AMD.

Source: Literature Review, Frost & Sullivan Analysis

Corneal Endothelium Decompensation

The CEnC layer is crucial for maintaining corneal clarity and forming a clear image on the retina. In adults, CEnCs are non-regenerative. Dysfunction or damage to this layer can lead to corneal edema. As corneal edema progresses, it can cause glare, reduced vision, and discomfort due to bullae, leading to severe pain. Long-term corneal edema can result in complications, including corneal neovascularization, infection, scarring, and even blindness.

The primary treatment for corneal endothelium decompensation is corneal transplantation, where the damaged tissue is replaced with healthy donor tissue. However, rejection reactions or complications following corneal endothelium transplantation are common, and the technique itself is complex, limiting the number of hospitals capable of performing it. Additionally, the global supply of donor corneas is increasingly limited, making the need for alternative treatment options urgent. Although clinical studies have shown that cultivating human corneal endothelial cells from donor corneas can effectively improve vision and is safe, the proliferation of these cells still depends on donor material.

REPORT COMMISSIONED BY FROST AND SULLIVAN

In connection with the **[REDACTED]**, we have engaged Frost & Sullivan to conduct a detailed analysis and prepare an industry report on the stem cell-derived cell therapy market in China and the United States. Frost & Sullivan is an independent global market research and consulting company which was founded in 1961 and is based in the United States. Services provided by Frost & Sullivan include market assessments, competitive benchmarking and strategic and market planning for a variety of industries. The contract sum to Frost & Sullivan is RMB0.6 million for the preparation of the Frost & Sullivan Report. The payment of such amount was not contingent upon our successful **[REDACTED]** or on the results of the Frost & Sullivan Report. Except for the Frost & Sullivan Report, we did not commission any other industry report in connection with the **[REDACTED]**. We have included certain information from the Frost & Sullivan Report in this document because we believe such information facilitates an understanding of the stem cell-derived cell therapy market for potential investors. Frost & Sullivan prepared its report based on its in-house database, independent third-party reports and publicly available data from reputable industry organizations. Where necessary, Frost & Sullivan contacts companies operating in the industry to gather and synthesize information in relation to the market, prices and other relevant information. Frost & Sullivan believes that the basic assumptions used in preparing the Frost & Sullivan Report, including those used to make future projections, are factual, correct and not misleading. Frost & Sullivan has independently analyzed the information, but the accuracy of the conclusions of its review largely relies on the accuracy of the information collected. Frost & Sullivan research may be affected by the accuracy of these assumptions and the choice of these primary and secondary sources.

OVERVIEW

Our history began in December 2017 with the establishment of Suzhou Zephyrm. Led by Dr. Zhang, our chairman of the Board, executive Director and chief executive officer, one of the leading researchers and an industry veteran in the field of cell therapies, we have evolved into a clinical-stage biopharmaceutical company dedicated to the development of innovative cell therapies derived from pluripotent stem cells for the treatment of a variety of medical conditions. For details of the biography of Dr. Zhang, see "Directors and Senior Management" in this document.

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on September 15, 2021. Our Group has undergone multiple share capital changes since our establishment. We have also received external equity financing to support our expanding business operations. Please refer to the paragraphs headed "– Major Shareholding Changes of Our Company" and "– Pre-**[REDACTED]** Investments" in this section.

BUSINESS MILESTONES

The following table sets forth certain development milestones of our Group:

Year	Milestones
2018	• Dr. Zhang joined our Group and started to build the core team including Dr. JIA Yi, our chief medical officer and executive Director and Mr. DONG Xin, our chief financial officer and executive Director
	• Beijing Zephyrm was established
2019	• The manufacturing facility with in-house GMP-compliant production processes was launched in Beijing
	• We entered into strategic collaboration with the Strategic Collaborators for stem cell and regenerative medicine research and development
	• We have conducted a pre-IND submission with the NMPA to explore the feasibility of seeking registration of ZH901 in the PRC
	• Beijing Zephyrm was recognized as "High and New Technology Enterprise in Zhongguancun Science Park (中關村高新技術企業)" by the Science and Technology Commission Zhongguancun Science Park

Year	Milestones
2020	• We completed Angel Round Financing and raised approximately RMB100 million
	• Suzhou Zephyrm was awarded the Key Special Project for the Transfer and Conversion of Scientific and Technological Achievements of the Chinese Academy of Sciences – Hongguang Project (弘光專項)
	• The "CAStem Cell Registry Clinical Trial" project was awarded as the "Outstanding Contribution in Fighting Epidemics Award" (抗擊疫情突出貢獻獎) by the 10th Stem Cell Annual Conference
	• We obtained regulatory clearance and started patients recruitment for conducting clinical trials of ZH901 for the treatment of ARDS and pulmonary fibrosis caused by COVID-19
2021	• Beijing Zephyrm was recognized as a "National Hi-tech Enterprise (國家高新技術企業)" by the Commission of Science and Technology in Beijing, Department of Finance in Beijing, and Provincial Tax Bureau of State Administration of Taxation in Beijing
	• We received the IND approval and started patients recruitment for conducting clinical trials of ZH901 for the treatment of meniscus injuries
2022	• We received the IND approval and started patients recruitment for conducting Phase II clinical trials of ZH901 for the treatment of ARDS
	• Beijing Zephyrm was recognized as a "SRDI Small and Medium Enterprise in Beijing (北京市專精特新中小企業)" by the Department of Economy and Information in Beijing
	• Beijing Zephyrm was recognized as "Scientific and Technological Research and Development Institution in Changping District (昌平區科技研究開發機構)" by Changping Science and Technology Committee
	• We completed Series A Financing and raised approximately RMB160 million

Year	Milestones
2023	• We obtained the ISO 17025 laboratory accreditation certificate from the China National Accreditation Service for Conformity Assessment
	• We received the IND approval and started patients recruitment for conducting Phase II clinical trials of ZH901 for the treatment of AE-ILD and Phase II clinical trials of ZH901 for the treatment of aGVHD
	• Beijing Zephyrm was recognized as "Model Entity of Intellectual Properties in Beijing (北京市知識產權試點單位)" by the Intellectual Property Office in Beijing
	• We completed Convertible Loan Financing and raised approximately RMB70 million
2024	• We completed Series B Financing and raised approximately RMB308 million
	• We obtained the exclusive rights to commercialize M cells, mDAP cells and RPE cells for the treatment of all possible indications worldwide

MAJOR SHAREHOLDING CHANGES OF OUR COMPANY

Establishment in 2021

In September 2021, our Company was incorporated in the Cayman Islands. The initial authorized capital of our Company was US$50,000 divided into 500,000,000 ordinary Shares with a par value of US$0.0001 each Share. Upon incorporation, one Share was allotted and issued to Osiris International Cayman Limited and for the purpose of facilitating the offshore incorporation procedure as and it transferred the one Share to Zephyrm Holding Limited, a company which was wholly-owned by Dr. Zhang.

On July 4, 2024, our then Shareholder passed an ordinary resolution to approve share subdivision, pursuant to which, every issued and unissued ordinary Share of US$0.0001 par value in our Company was subdivided into 1,000,000,000 ordinary Shares of US$0.00005 par value each.

On September 29, 2024, our then Shareholder passed on a special resolution to approve share re-designation and re-classification, pursuant to which, the every issued and unissued ordinary Share was re-designated and re-classified as Ordinary Shares and Preferred Shares. As of September 30, 2024, our issued share capital was US$12,041.2137 divided into 145,867,544 Ordinary Shares and 94,956,730 Preferred Shares.

On the **[REDACTED]**, all the Preferred Shares will automatically be converted into the Ordinary Shares on a one-to-one basis for such Preferred Shares in effect at the time immediately upon the **[REDACTED]**.

Restructuring in 2024

On September 29, 2024, our Company repurchased the two Shares held by Zephyrm Holding Limited. On September 29, 2024, our Company allotted and issued an aggregate of 145,867,544 Ordinary Shares, 34,853,409 Series Angel Preferred Shares, 19,276,824 Series A Preferred Shares, 16,509,424 Series B Preferred Shares, 20,050,919 Series B+ Preferred Shares and 4,266,154 Series B++ Preferred Shares to the then shareholders of Suzhou Zephyrm or their respective designated entities in order to mirror their respective shareholding in Suzhou Zephyrm at par value per Share. For details, see "– Reorganization – Offshore Reorganization" in this section.

OUR SUBSIDIARIES AND OPERATING ENTITIES

As of the Latest Practicable Date, our Group comprised our Company and our eight wholly-owned subsidiaries and Consolidated Affiliated Entities, which are set forth below:

	Place of Incorporation	Date of Incorporation	Shareholding Change	Principal Business Activities
BVI Zephyrm	BVI	September 16, 2021	For details, see "– Establishment and Shareholding Changes of Subsidiaries" in this section	Investment holding
Hong Kong Zephyrm	Hong Kong	September 29, 2021	For details, see "– Establishment and Shareholding Changes of Subsidiaries" in this section	Investment holding
Zephyrm Boda	PRC	July 23, 2024	For details, see "– Establishment and Shareholding Changes of Subsidiaries" in this section	Technical development, technical services and consulting, medical research and development
Zephyrm Tiancheng	PRC	July 24, 2024	For details, see "– Establishment and Shareholding Changes of Subsidiaries" in this section	Investment holding
Suzhou Zephyrm	PRC	December 26, 2017	For details, see "– Establishment and Shareholding Changes of Subsidiaries" in this section	Investment holding

	Place of Incorporation	Date of Incorporation	Shareholding Change	Principal Business Activities
Beijing Zephyrm	PRC	November 15, 2018	For details, see "– Establishment and Shareholding Changes of Subsidiaries" in this section	Research and development, manufacturing and sales of innovative cell therapies derived from pluripotent stem cells
Guangdong Zephyrm	PRC	October 12, 2023	For details, see "– Establishment and Shareholding Changes of Subsidiaries" in this section	Research and development, manufacturing and sales of innovative cell therapies derived from pluripotent stem cells
Yanqi Zephyrm	PRC	July 4, 2024	For details, see "– Establishment and Shareholding Changes of Subsidiaries" in this section	Research and development, manufacturing and sales of innovative cell therapies derived from pluripotent stem cells

Establishment and Shareholding Changes of Subsidiaries

Suzhou Zephyrm

Considering the background and investment experience of the whole family and the development and prospects of the biopharmaceutical industry in China, Ms. Jin, mother of Dr. Zhang, decided to dedicate her family's efforts and resources to biomedical research. While exploring the opportunities of investing in biotech companies, Ms. Jin came up with the idea to set up her own platform to engage in biopharmaceutical research and development for the long-term benefits of the whole family.

At the time, Mr. KONG Xiang (孔翔) ("**Mr. Kong**"), brother of Dr. Zhang's spouse, was engaged in biopharmaceutical-related sales works in China, Ms. Jin entrusted Mr. Kong to handle the incorporation process of such platform on Ms. Jin's behalf. As a result, Suzhou Zephyrm was established on December 26, 2017 with a registered capital of RMB20 million and was wholly-owned by Mr. Kong on entrustment of Ms. Jin. At the time of its establishment, Suzhou Zephyrm was not engaged in any substantial operation.

When deciding the business focus and management of Suzhou Zephyrm, Ms. Jin considered that stem cell-based regenerative medicine presented promising prospects of pharmaceutical development in the PRC at the time. Considering Dr. Zhang's extensive experience in new drug development and his previous research in regenerative medicine as a professor, he was considered to be the most suitable person to lead the platform. As a result, in May 2018, Dr. Zhang resigned from Sanofi and joined Suzhou Zephyrm as the chief scientific officer and started to build the core team including Dr. JIA Yi, our chief medical officer and executive Director and Mr. DONG Xin (董鑫) ("**Mr. Dong**"), our chief financial officer and executive Director.

Share Transfers During 2018–2019

On May 25, 2018, per the instructions of Ms. Jin, Mr. Kong transferred 5% of equity interests in Suzhou Zephyrm to each of Shenzhen Huijin Yonglong Asset Management Co., Ltd. (深圳匯金永隆資本管理有限公司) ("**Shenzhen Yonglong**"), a company wholly-owned by Mr. Dong, our chief financial officer and executive Director who brought expertise in accounting and financing, and Mr. HUANG Li (黃里) ("**Mr. Huang**"), an Independent Third Party and an external consultant to the Group, at nil cash consideration, respectively, taking into account their contributions to the Group in its early stage of development and the fact that the corresponding registered capital was not paid up. Upon completion of the above-mentioned equity transfers, Suzhou Zephyrm was owned as to 90% by Mr. Kong on behalf of Ms. Jin, 5% by Mr. Huang and 5% by Shenzhen Yonglong, respectively.

On June 17, 2019, per the instructions of Ms. Jin, Mr. Kong transferred all his equity interests in Suzhou Zephyrm held on behalf of Ms. Jin to Beijing Xiangjing Technology Co., Ltd. (北京祥景科創科技有限公司) ("**Beijing Xiangjing**"), the wholly-owned company in which he held the equity interests on behalf of Ms. Jin, at nil consideration. Mr. Kong transferred all his equity interests held on behalf of Ms. Jin in Beijing Xiangjing to Ms. Jin in August 2021. Upon completion of the above-mentioned equity transfers, Suzhou Zephyrm was owned as to 90% by Beijing Xiangjing, 5% by Mr. Huang and 5% by Shenzhen Yonglong, respectively.

On July 25, 2019, Beijing Xiangjing and Mr. Huang transferred 25% and 5% of equity interests in Suzhou Zephyrm, respectively, to Beijing Zephyrm Tongchuang Technology Center (Limited Partnership) (北京澤輝同創科技中心(有限合夥)) ("**Zephyrm Tongchuang**"), which was intended to be our share incentive platform, whose general partner was Mr. Kong, holding such interest on behalf of Ms. Jin, at nil consideration. Mr. Kong transferred all his 95% of the limited partnership interests held on behalf of Ms. Jin in Zephyrm Tongchuang to Ms. Jin and Ms. Jin became the general partner of Zephyrm Tongchuang in August 2021. Upon completion of the above-mentioned equity transfers, Suzhou Zephyrm was owned as to 65% by Beijing Xiangjing, 30% by Zephyrm Tongchuang and 5% by Shenzhen Yonglong, respectively.

Share Capital Changes in 2019

Convertible Loan

On November 28, 2018, Beijing Zephyrm, Suzhou Zephyrm and Shandong Huayi Group Ltd. (山東華藝集團有限公司) ("**Shandong Huayi**") entered into a convertible loan agreement, pursuant to which the debt of RMB50 million owed by Suzhou Zephyrm to Shandong Huayi would swap to be Shandong Huayi or its designated entity's investment in Suzhou Zephyrm. Subsequently, the relevant parties reached agreement on settling the loan by conversion of the loan into equity interest held by Shandong Haoyang Biological Engineering Co., Ltd. (山東顥楊生物工程有限公司) ("**Shandong Haoyang**", as the designated investment entity of Shandong Huayi), in Suzhou Zephyrm. In order to facilitate the process, the settlement was conducted through (1) subscription of registered capital in Suzhou Zephyrm by Shandong Haoyang at a consideration of RMB50 million; and (2) repayment of the convertible loan by Suzhou Zephyrm to Shandong Huayi. On August 27, 2019, Shandong Haoyang subscribed for RMB1,272,728 registered capital of Suzhou Zephyrm at the consideration of RMB50 million. Such loan together with relevant interests was settled on December 20, 2019.

Angel Round Financing

From May 2019 to September 2019, Suzhou Zephyrm had further underwent several rounds of capital increases (the "**Angel Round Financing**") contributed by certain investors as described below. On May 1, 2019, Zhongke Chuangxing Hard Technology Venture Capital Partnership (Limited Partnership) (北京中科創星硬科技創業投資合夥企業(有限合夥)) ("**Zhongke Chuangxing**") subscribed for RMB1,454,549 registered capital of Suzhou Zephyrm at the consideration of RMB40 million which was fully settled on July 11, 2019. On May 1, 2019, Xi'an Zhonghe Tiancheng Entrepreneur Management Consulting Partnership (Limited Partnership) (西安眾合天成企業管理諮詢合夥企業(有限合夥)) ("**Xi'an Zhonghe**") subscribed for RMB618,182 registered capital of Suzhou Zephyrm at the consideration of RMB17 million which was fully settled on June 17, 2019. On September 2, 2019, Xi'an Yingshi Fukun Biotechnology Partnership (Limited Partnership) (西安贏實富坤生物科技合夥企業(有限合夥)) ("**Xi'an Yingshi**"), whose executive partner is Mr. Dong, subscribed for RMB1,563,636 registered capital of Suzhou Zephyrm at the consideration of RMB43 million which was fully settled on August 28, 2020.

Other Capital Increase

On September 30, 2019, Shenzhen Yonglong subscribed for an increase of RMB545,450 registered capital of Suzhou Zephyrm at the consideration of RMB545,450 which was fully settled on December 23, 2022.

Upon completion of the above-mentioned shareholding changes, the shareholding of Suzhou Zephyrm was as follows:

Shareholders	**Registered capital subscribed for**	**Approximate equity interest**[*Note*]
	(RMB)	*(%)*
Beijing Xiangjing	13,000,000	51.07
Zephyrm Tongchuang	6,000,000	23.57
Xi'an Yingshi	1,563,636	6.14
Shenzhen Yonglong	1,545,450	6.07
Zhongke Chuangxing	1,454,549	5.71
Shandong Haoyang	1,272,728	5.00
Xi'an Zhonghe	618,182	2.43
Total	**25,454,545**	**100**

Note:

Percentages shown as totals in the chart may not be the arithmetic aggregation of the figures shown in the notes are due to rounding adjustment.

Series A Financing

Pursuant to a share subscription agreement dated December 25, 2020 entered into by and among, the then shareholders of Suzhou Zephyrm, the investors as set out below and Suzhou Zephyrm, the relevant investors subscribed for a total increase in the registered capital of Suzhou Zephyrm of RMB2,715,152 at a total consideration of approximately RMB160 million (the "**Series A Financing**"). The consideration was determined after arm's length negotiation among the parties taking into consideration business, operations and status of our business and operating entities and was fully settled on December 28, 2022.

Name of investors	**Registered capital subscribed for**	**Consideration**	**Approximate equity interest**
	(RMB)	*(RMB million)*	*(%)*
Beijing Guoke Dingzhi Equity Investment Centre (Limited Partnership) (北京國科鼎智股權投資中心(有限合夥)) ("**Guoke Dingzhi**")	678,788	40	2.41
Beijing Yingshi Biotechnology Development Center (Limited Partnership) (北京贏實生物科技發展中心(有限合夥)) ("**Beijing Yingshi**")	509,091	30	1.81
Gongqingcheng Ruiji Phase III Investment Partnership (Limited Partnership) (共青城瑞吉三期投資合夥企業(有限合夥)) ("**Gongqingcheng Ruiji Fund III**")	339,394	20	1.20
Shaanxi Junying Chengzhang Industry Development Fund Partnership (Limited Partnership) (陝西君盈成長產業發展基金合夥企業(有限合夥)) ("**Junying Chengzhang**")	339,394	20	1.20
Beijing Yuanqing Bencao Equity Investment Center (Limited Partnership) (北京元清本草股權投資中心(有限合夥)) ("**Yuanqing Bencao**")	339,394	20	1.20
Jiaxing Woyu Investment Partnership (Limited Partnership) (嘉興沃禹投資合夥企業(有限合夥)) ("**Jiaxing Woyu**")	169,697	10	0.60
Xi'an Zhenze New Entrepreneur Management Consulting Partnership (Limited Partnership) (西安臻澤初新企業管理諮詢合夥企業(有限合夥)) ("**Xi'an Zhenze**")	169,697	10	0.60

Name of investors	Registered capital subscribed for	Consideration	Approximate equity interest
	(RMB)	*(RMB million)*	*(%)*
Xi'an Jinqing Entrepreneur Management Partnership (Limited Partnership) (西安錦慶企業管理合夥企業(有限合夥)) ("**Xi'an Jinqing**")	169,697	10	0.60

Convertible Loan Financing

Pursuant to a convertible loan agreement dated December 12, 2022, Beijing Yingshi Phase II Biotechnology Development Center (Limited Partnership) (北京贏實二期生物科技合夥企業(有限合夥)) ("**Beijing Yingshi Phase II**") agreed to subscribe for RMB321,022 registered capital of Suzhou Zephyrm in swap of the RMB20 million debt owed by Suzhou Zephyrm to Beijing Yingshi Phase II and such amount was settled on December 28, 2022 (the "**Beijing Yingshi Phase II 2022 Subscription**").

Pursuant to a convertible loan agreement dated December 12, 2022, Jiaxing Chenyue Equity Investment Partnership (Limited Partnership) (嘉興宸玥股權投資合夥企業(有限合夥)) ("**Jiaxing Chenyue**") agreed to subscribe for RMB802,555 registered capital of Suzhou Zephyrm in swap of the RMB50 million debt owed by Suzhou Zephyrm to Jiaxing Chenyue and such amount was settled on March 20, 2023 (the "**Jiaxing Chenyue 1st Subscription**", together with the Beijing Yingshi Phase II 2022 Subscription, the "**Convertible Loan Financing**").

Notwithstanding that the foregoing convertible loan agreements were not entered into at the same time due to different negotiation progress and internal execution procedures of relevant investors, as the negotiations with relevant investors were initiated at similar time, the valuation of our Group for the foregoing investments by relevant investors was the same.

Series B Financing

Pursuant to a share subscription agreement dated December 12, 2022 entered into by and among, the then shareholders of Suzhou Zephyrm, Beijing Yingsheng Fukun Biotechnology Partnership (Limited Partnership) (北京贏晟富坤生物科技合夥企業(有限合夥)) ("**Beijing Yingsheng**") and Suzhou Zephyrm, Beijing Yingsheng subscribed for RMB751,110 registered capital of Suzhou Zephyrm at a total consideration of 50 million. The consideration was determined after arm's length negotiation among the parties taking into consideration business, operations and status of our business and operating entities and was fully settled on September 29, 2024 (the "**Beijing Yingsheng Subscription**").

Pursuant to a share subscription agreement dated December 12, 2022 entered into by and between the then shareholders of Suzhou Zephyrm, Jiaxing Chenyue and Suzhou Zephyrm, Jiaxing Chenyue subscribed for RMB751,110 registered capital of Suzhou Zephyrm at a total consideration of approximately RMB50 million (the "**Jiaxing Chenyue 2nd Subscription**"). The consideration was

determined after arm's length negotiation among the parties taking into consideration business, operations and status of our business and operating entities and was fully settled on March 24, 2023.

Series B+ Financing

As part of the Series B Financing, pursuant to a share subscription agreement dated September 30, 2023 entered into by and between, the then shareholders of Suzhou Zephyrm, the following investors and Suzhou Zephyrm, the relevant investors subscribed for registered capital of Suzhou Zephyrm as set out below at a total consideration of approximately RMB188 million (the "**Series B+ Financing**"). The consideration was determined after arm's length negotiation among the parties taking into consideration business, operations and status of our business and operating entities and was fully settled on December 27, 2023.

Name of Investors	**Registered capital subscribed for**	**Consideration**	**Approximate equity interest**
	(RMB)	*(RMB million)*	*(%)*
Guangdong Yueke Great Health Venture Capital Center on The West Bank of The Pearl River (Limited Partnership) (廣東粵科珠江西岸大健康創業投資中心(有限合夥)) ("**Zhuxi Healthcare**")	751,110	50	2.23
Zhongshan Jintou Venture Capital Fund Partnership (Limited Partnership) (中山金投創業投資發展基金(有限合夥)) ("**Zhongshan Jintou**")	450,666	30	1.34
Zhongshan Chenyue Equity Investment Partnership (Limited Partnership) (中山宸玥股權投資合夥企業(有限合夥)) ("**Zhongshan Chenyue**")	450,666	30	1.34
Zhongshan Jianze Equity Investment Partnership (Limited Partnership) (中山健澤股權投資企業(有限合夥)) ("**Zhongshan Jianze**")	420,621	28	1.25
Beijing Huairou Science City Technology Service Co., Ltd. (北京懷柔科學城科技服務有限公司) ("**Beijing Kefu**")	304,444	20	0.89
Gongqingcheng Zhongquan Heye Investment Partnership (Limited Partnership) (共青城中泉合驊投資合夥企業(有限合夥)) ("**Gongqingcheng Zhongquan**")	304,444	20	0.89

Name of Investors	Registered capital subscribed for	Consideration	Approximate equity interest
	(RMB)	*(RMB million)*	*(%)*
Zhongshan Torch Huaying No.1 Venture Capital Fund Partnership (Limited Partnership) (中山火炬華盈一號創業投資基金合夥企業(有限合夥)) ("**Zhongshan Torch**")	150,222	10	0.45

Series B++ Financing

As part of the Series B Financing, pursuant to a share subscription agreement dated March 31, 2024 entered into by and among the then shareholders of Suzhou Zephyrm, Shaanxi Photon Strong-Chain Innovative Venture Capital Investment Partnership (Limited Partnership) (陝西光子強鏈創新創業投資合夥企業(有限合夥)) ("**Shaanxi Photon Strong-Chain**") and Suzhou Zephyrm, Shaanxi Photon Strong-Chain subscribed for RMB300,444 registered capital of Suzhou Zephyrm at a total consideration of approximately RMB20 million (the "**Series B++ Financing**", together with the Beijing Yingsheng Subscription, the Jiaxing Chenyue 2nd Subscription and the Series B+ Financing, the "**Series B Financing**"). The consideration of the Series B++ Financing was determined after arm's length negotiation among the parties taking into consideration business, operations and status of our business and operating entities and was fully settled on April 25, 2024.

Notwithstanding that the foregoing investment agreements were not entered into at the same time due to different negotiation progress and internal execution procedures of relevant investors, as the negotiations with relevant investors were initiated at similar time, the valuation of our Group for the foregoing investments by relevant investors was the same.

Share Transfers in 2024

Pursuant to an equity transfer agreement dated March 22, 2024, Xi'an Jinqing transferred all its equity interests in Suzhou Zephyrm, representing RMB169,697 registered capital to Shaanxi Photon Strong-Chain at the total consideration of RMB10,572,293.

Pursuant to an equity transfer agreement dated March 27, 2024, Jiaxing Chenyue transferred 0.8937% of equity interests, representing RMB300,444 registered capital in Suzhou Zephyrm to Beijing Xietai Management Partnership (Limited Partnership) (北京攜泰企業管理合夥企業(有限合夥)) ("**Beijing Xietai**") at the total consideration of RMB20 million.

As of the Latest Practicable Date, the shareholding of Suzhou Zephyrm are set out as below:

Shareholders	Registered capital subscribed for	Approximate equity interest
	(RMB)	*(%)*
Beijing Xiangjing	13,000,000	38.33
Zephyrm Tongchuang[(2)]	6,000,000	17.69
Xi'an Yingshi	1,563,636	4.61
Shenzhen Yonglong	1,545,450	4.56
Zhongke Chuangxing	1,454,549	4.29
Shandong Haoyang	1,272,728	3.75
Jiaxing Chenyue	1,253,221	3.69
Zhuxi Healthcare	751,110	2.21
Beijing Yingsheng	751,110	2.21
Guoke Dingzhi	678,788	2.00
Xi'an Zhonghe	618,182	1.82
Beijing Yingshi	509,091	1.50
Shaanxi Photon Strong-Chain	470,141	1.39
Zhongshan Jintou	450,666	1.33
Zhongshan Chenyue	450,666	1.33
Zhongshan Jianze	420,621	1.24
Gongqingcheng Ruiji Fund III	339,394	1.00
Junying Chengzhang	339,394	1.00
Yuanqing Bencao	339,394	1.00
Beijing Yingshi Phase II	321,022	0.95
Beijing Kefu	300,444	0.89
Gongqingcheng Zhongquan	300,444	0.89
Beijing Xietai	300,444	0.89
Xi'an Zhenze	169,697	0.50
Jiaxing Woyu	169,697	0.50
Zhongshan Torch	150,222	0.44
Total	**33,920,111**	**100%**

Notes:

(1) Percentages shown as totals in the chart may not be the arithmetic aggregation of the figures shown in the notes are due to rounding adjustment.

(2) In June 2024, the general partner of Zephyrm Tongchuang was changed to Mr. Dong. Ms. Jin transferred approximately 50.73% and 6.67% of the limited partnership interests in Zephyrm Tongchuang to Mr. Dong and Dr. Jia, respectively as employee incentives.

Beijing Zephyrm

Beijing Zephyrm was established on November 15, 2018 with a registered capital of RMB100 million. Since the time of its establishment, Beijing Zephyrm has been wholly-owned by Suzhou Zephyrm. As of the Latest Practicable Date, the registered capital was increased to RMB550 million.

Guangdong Zephyrm

Guangdong Zephyrm was established on October 12, 2023 with a registered capital of RMB100 million. Since the time of its establishment, Guangdong Zephyrm has been wholly-owned by Beijing Zephyrm.

Yanqi Zephyrm

Yanqi Zephyrm was established on July 4, 2024 with a registered capital of RMB10 million. Since the time of its establishment, Yanqi Zephyrm has been wholly-owned by Beijing Zephyrm.

Zephyrm Boda

Zephyrm Boda was established on July 23, 2024 with a registered capital of US$10 million. Since the time of its establishment, Zephyrm Boda has been wholly-owned by Hong Kong Zephyrm.

Zephyrm Tiancheng

Zephyrm Tiancheng was established on July 24, 2024 with a registered capital of US$10 million. Since the time of its establishment, Zephyrm Tiancheng has been wholly-owned by Hong Kong Zephyrm.

Hong Kong Zephyrm

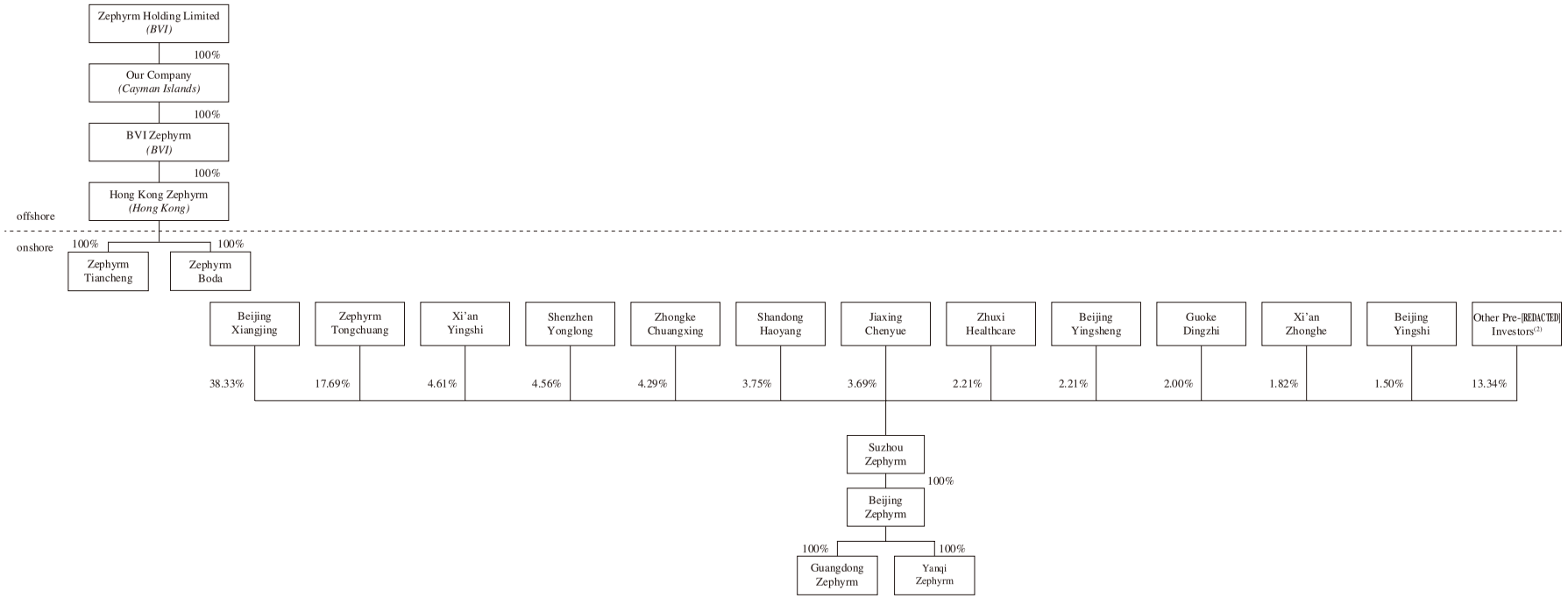
Hong Kong Zephyrm was incorporated on September 29, 2021 in Hong Kong. Since the time of its incorporation, Hong Kong Zephyrm has been wholly-owned by BVI Zephyrm.

BVI Zephyrm

BVI Zephyrm was incorporated on September 16, 2021 in the BVI. Since the time of its incorporation, BVI Zephyrm has been our wholly-owned subsidiary.

REORGANIZATION

In preparation for the **[REDACTED]**, our Group underwent the Reorganization. Below is a simplified group chart of our Group immediately before the Reorganization:



Notes:

1. Percentages shown as totals in the chart may not be the arithmetic aggregation of the figures shown in the notes are due to rounding adjustment.

2. Other Pre-**[REDACTED]** Investors included:

   (a) Shaanxi Photon Strong-Chain, which held approximately 1.39% of the registered capital of Suzhou Zephyrm;

(b) Zhongshan Jintou, which held approximately 1.33% of the registered capital of Suzhou Zephyrm;

(c) Zhongshan Chenyue, which held approximately 1.33% of the registered capital of Suzhou Zephyrm;

(d) Zhongshan Jianze, which held approximately 1.24% of the registered capital of Suzhou Zephyrm;

(e) Gongqingcheng Ruiji Fund III, which held approximately 1.00% of the registered capital of Suzhou Zephyrm;

(f) Junying Chengzhang, which held approximately 1.00% of the registered capital of Suzhou Zephyrm;

(g) Yuanqing Bencao, which held approximately 1.00% of the registered capital of Suzhou Zephyrm;

(h) Beijing Yingshi Phase II, which held approximately 0.95% of the registered capital of Suzhou Zephyrm;

(i) Beijing Kefu, which held approximately 0.89% of the registered capital of Suzhou Zephyrm;

(j) Gongqingcheng Zhongquan, which held approximately 0.89% of the registered capital of Suzhou Zephyrm;

(k) Beijing Xietai, which held approximately 0.89% of the registered capital of Suzhou Zephyrm;

(l) Xi'an Zhenze, which held approximately 0.50% of the registered capital of Suzhou Zephyrm;

(m) Jiaxing Woyu, which held approximately 0.50% of the registered capital of Suzhou Zephyrm; and

(n) Zhongshan Torch, which held approximately 0.44% of the registered capital of Suzhou Zephyrm.

The principal steps of the Reorganization are set out below.

Onshore Reorganization

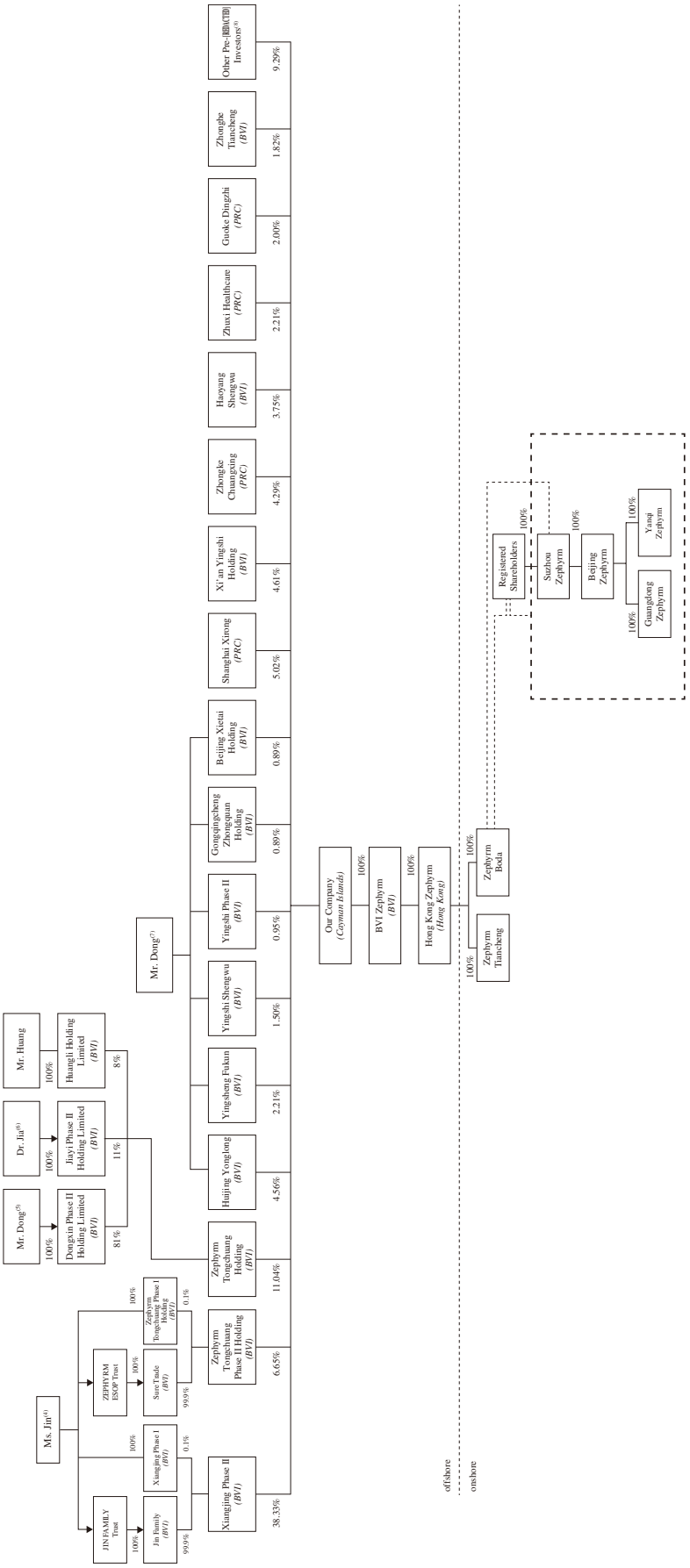
Entering into the Contractual Arrangements

Under the Contractual Arrangements, we are able to exercise effective control over Suzhou Zephyrm and all the economic benefits arising from the businesses of the Consolidated Affiliated Entities are transferred to Zephyrm Boda to the extent permitted under PRC laws by means of service fees payable by the Consolidated Affiliated Entities to Zephyrm Boda. For details, see "Contractual Arrangements" in this document.

Offshore Reorganization

On September 29, 2024, our Company repurchased the two Shares held by Zephyrm Holding Limited. On September 29, 2024, our Company allotted and issued 145,867,544 Ordinary Shares, 34,853,409 Series Angel Preferred Shares, 19,276,824 Series A Preferred Shares, 16,509,424 Series B Preferred Shares, 20,050,919 Series B+ Preferred Shares and 4,266,154 Series B++ Preferred Shares to the then shareholders of Suzhou Zephyrm or their respective designated entities in order to mirror their respective shareholding in Suzhou Zephyrm at par value per Share.

Upon completion of the above onshore and offshore Reorganization, the simplified shareholding structure of our Group is as below:



Notes:

1. ----- denotes contractual relationships under the Contractual Arrangements. Under the Contractual Arrangements, Zephyrm Boda shall provide technical services to our Consolidated Affiliated Entities, and our Consolidated Affiliated Entities shall pay service fees to Zephyrm Boda directly.

2. ⌈ ⌉ denotes equity interests controlled by our Group under the Contractual Arrangements.

3. ◄—— denotes equity interests controlled through trust arrangement.

4. As of the Latest Practicable Date, Xiangjing Phase II Holding Limited was owned as to approximately 0.1% by Xiangjing Phase I Holding Limited, a wholly-owned company incorporated in BVI of Ms. Jin and 99.9% by JIN FAMILY LIMITED, a holding company pursuant to the family trust of Ms. Jin, respectively. For details, see "– Establishment of Family Trust" in this section. As of the Latest Practicable Date, Zephyrm Tongchuang Phase II Holding Limited was owned as to approximately 0.1% by Zephyrm Tongchuang Phase I Holding Limited, a wholly-owned company incorporated in BVI of Ms. Jin and 99.9% by SURE TRADE INTERNATIONAL LIMITED, a holding company pursuant to the trust of the 2024 RSU Plan, which was wholly-owned by Core Trust Company Limited (匯聚信託有限公司), the trustee of the ZEPHYRM ESOP Trust, via TCT (BVI) Limited, respectively. For details, see "Appendix V – Statutory and General Information – D. 2024 RSU Plan" to this document.

5. As of the Latest Practicable Date, Dongxin Phase II Holding Limited was owned as to approximately 10% by Dongxin Phase I Holding Limited, a wholly-owned company incorporated in BVI of Mr. Dong and 90% by Shawn Tung Limited, a holding company pursuant to the family trust of Mr. Dong, respectively. For details, see "– Establishment of Family Trust" in this section.

6. As of the Latest Practicable Date, Jiayi Phase II Holding Limited was owned as to approximately 20% by Jiayi Phase I Holding Limited, a wholly-owned company incorporated in BVI of Dr. Jia and 80% by Capybara Fortune Limited, a holding company pursuant to the family trust of Dr. Jia, respectively. For details, see "– Establishment of Family Trust" in this section.

7. As of the Latest Practicable Date, each of Huijin Yonglong Holding Limited ("**Huijin Yonglong**"), Yingsheng Fukun, Yingshi Shengwu, Yingshi Phase II, Gongqingcheng Zhongquan Holding Limited ("**Gongqqingcheng Zhongquan Holding**") and Beijing Xietai Holding Limited ("**Beijing Xietai Holding**") was ultimately controlled by Mr. Dong.

8. As of the Latest Practicable Date, Other Pre-**[REDACTED]** Investors included:

   (a) Shaanxi Photon Strong-Chain, which held approximately 1.39% of our total issued Shares;

   (b) Zhongshan Jintou, which held approximately 1.33% of our total issued Shares;

   (c) Zhongshan Jianze, which held approximately 1.24% of our total issued Shares;

   (d) Gongqingcheng Ruiji Fund III, which held approximately 1.00% of our total issued Shares;

   (e) Junying Chengzhang, which held approximately 1.00% of our total issued Shares;

   (f) Yuanqing Bencao Investment, which held approximately 1.00% of our total issued Shares;

   (g) Beijing Kefu, which held approximately 0.89% of our total issued Shares;

   (h) Zhenze Chuxin, which held approximately 0.50% of our total issued Shares;

   (i) Jiaxing Woyu, which held approximately 0.50% of our total issued Shares; and

   (j) Zhongshan Torch, which held approximately 0.44% of our total issued Shares.

9. Percentages shown as totals in the chart may not be the arithmetic aggregation of the figures shown in the notes are due to rounding adjustment.

EMPLOYEE INCENTIVE SCHEME

In anticipation of the **[REDACTED]**, on September 29, 2024, we resolved to adopt the 2024 RSU Plan. The grantees of the 2024 RSU Plan are employees of our Group. The purpose of the 2024 RSU Plan is to enable our Company to incentive and reward eligible participants for their contribution to our Group so as to strengthen their sense of belonging, encourage them to contribute to the long-term growth of the Company and to enhance the value of the Company and the benefit of Shareholders. To implement the 2024 RSU Plan, our Company established a trust with Core Trust Company Limited (匯聚信託有限公司) ("**Core Trust**") as the trustee (the "**ZEPHYRM ESOP Trust**"). Zephyrm Tongchuang Phase II Holding Limited ("**Zephyrm Tongchuang Phase II Holding**") was incorporated as an employee incentive platform in BVI as a limited company on July 29, 2024. All RSUs under the 2024 RSU Plan have been granted. As of September 30, 2024, Zephyrm Tongchuang Phase II Holding held 16,018,304 Shares, among which 16,002,286 Ordinary Shares were issued and allotted for the 2024 and there are no outstanding RSUs to be granted under the 2024 RSU Plan. For details, see "Appendix V – Statutory and General Information – D. 2024 RSU Plan" to this document.

ESTABLISHMENT OF FAMILY TRUSTS

For estate and wealth planning purposes, Ms. Jin, as the settlor and protector, established a trust (the "**JIN FAMILY Trust**") for the benefits of Xiangjing Phase I with Vistra Trust (Singapore) Pte. Limited ("**Vistra Trust**") as the trustee. Xiangjing Phase II Holding Limited ("**Xiangjing Phase II**") allotted and issued 999 shares to JIN FAMILY LIMITED ("**Jin Family**"), which was wholly-owned by Vistra Trust. Subsequently, Xiangjing Phase II became owned by JIN FAMILY Trust on behalf of Ms. Jin through Jin Family as to 99.9% of the total issued share capital.

For estate and wealth planning purposes, Mr. Dong, as the settlor and protector, established a trust (the "**Tung Trust**") for the benefits of Dongxin Phase I Holding Limited ("**Dongxin Phase I**") with Vistra Trust as the trustee. Dongxin Phase II Holding Limited ("**Dongxin Phase II**") allotted and issued nine shares to Shawn Tung Limited, which was wholly-owned by Vistra Trust. Subsequently, Dongxin Phase II became owned by the Tung Trust on behalf of Mr. Dong through Shawn Tung Limited as to 90% of the total issued share capital.

For estate and wealth planning purposes, Dr. Jia, as the settlor and protector, established a trust (the "**WEINING Trust**") for the benefits of Jiayi Phase I Holding Limited ("**Jiayi Phase I**") with Vistra Trust as the trustee. Jiayi Phase II Holding Limited ("**Jiayi Phase II**") allotted and issued four shares to Capybara Fortune Limited ("**Capybara Fortune**"), which was wholly-owned by Vistra Trust. Subsequently, Jiayi Phase II became owned by the WEINING Trust on behalf of Dr. Jia through Capybara Fortune as to 80% of the total issued share capital.

PRE-[REDACTED] INVESTMENTS

Principal Terms of the Pre-[REDACTED] Investments

The below table summarizes the principal terms of the Pre-**[REDACTED]** Investments:

Shareholders	Corresponding shareholders of Suzhou Zephyrm	Date of agreement	Date of settlement	Total consideration	Cost per Share[2]	Discount to [REDACTED][1]
				(RMB)	*(RMB)*	
Angel Round Financing						
Zhongke Chuangxing	Zhongke Chuangxing	May 1, 2019	July 11, 2019	40 million	3.87	**[REDACTED]**%
Zhonghe Tiancheng Holding Limited ("**Zhonghe Tiancheng**")	Xi'an Zhonghe	May 1, 2019	June 17, 2019	17 million	3.87	**[REDACTED]**%
Xian Yingshi Holding Limited ("**Xi'an Yingshi Holding**")	Xi'an Yingshi	September 2, 2019	August 28, 2020	43 million	3.87	**[REDACTED]**%
Haoyang Shengwu Holding Limited ("**Haoyang Shengwu**")	Shandong Haoyang	August 27, 2019	August 27, 2019	50 million	5.53	**[REDACTED]**%
Series A Financing						
Guoke Dingzhi	Guoke Dingzhi	December 25, 2020	December 30, 2020	40 million	8.30	**[REDACTED]**%
Yingshi Shengwu Holding Limited ("**Yingshi Shengwu**")	Beijing Yingshi	December 25, 2020	December 28, 2022	30 million	8.30	**[REDACTED]**%
Gongqingcheng Ruiji Fund III	Gongqingcheng Ruiji Fund III	December 25, 2020	January 6, 2021	20 million	8.30	**[REDACTED]**%
Junying Chengzhang	Junying Chengzhang	December 25, 2020	December 30, 2020	20 million	8.30	**[REDACTED]**%
Yuanqing Bencao Investment Ltd. ("**Yuanqing Bencao Investment**")	Yuanqing Bencao	December 25, 2020	January 18, 2021	20 million	8.30	**[REDACTED]**%
Jiaxing Woyu	Jiaxing Woyu	December 25, 2020	December 2, 2020	10 million	8.30	**[REDACTED]**%
Zhenze Chuxin Holding Limited ("**Zhenze Chuxin**")	Xi'an Zhenze	December 25, 2020	December 28, 2020	10 million	8.30	**[REDACTED]**%
Shaanxi Photon Strong-Chain[3]	Shaanxi Photon Strong-Chain	March 22, 2024	April 25, 2024	10,572,293	8.78	**[REDACTED]**%
Convertible Loan Financing						
Yingshi Phase II Holding Limited ("**Yingshi Phase II**")	Beijing Yingshi Phase II	December 12, 2022	December 28, 2022	20 million	8.78	**[REDACTED]**%
Shanghai Xirong Entrepreneur Management Center (Limited Partnership) (上海熹榮企業管理中心(有限合夥)) ("**Shanghai Xirong**")	Jiaxing Chenyue	December 12, 2022	March 20, 2023	50 million	8.78[4]	**[REDACTED]**%

Shareholders	Corresponding shareholders of Suzhou Zephyrm	Date of agreement	Date of settlement	Total consideration	Cost per Share[2]	Discount to [REDACTED][1]
				(RMB)	*(RMB)*	
Series B Financing						
Yingsheng Fukun Holding Limited ("**Yingsheng Fukun**")	Beijing Yingsheng	December 12, 2022	September 29, 2024	50 million	9.38	**[REDACTED]**%
Shanghai Xirong	Jiaxing Chenyue	December 12, 2022	March 24, 2023	50 million	9.38[4]	**[REDACTED]**%
Series B+ Financing						
Zhuxi Healthcare	Zhuxi Healthcare	September 30, 2023	November 9, 2023	50 million	9.38	**[REDACTED]**%
Zhongshan Jintou	Zhongshan Jintou	September 30, 2023	October 31, 2023	30 million	9.38	**[REDACTED]**%
Shanghai Xirong	Zhongshan Chenyue	September 30, 2023	November 21, 2023	30 million	9.38	**[REDACTED]**%
Zhongshan Jianze	Zhongshan Jianze	September 30, 2023	October 27, 2023	28 million	9.38	**[REDACTED]**%
Beijing Kefu	Beijing Kefu	September 30, 2023	December 4, 2023	20 million	9.38	**[REDACTED]**%
Gongqingcheng Zhongquan Holding	Gongqingcheng Zhongquan	September 30, 2023	December 27, 2023	20 million	9.38	**[REDACTED]**%
Zhongshan Torch	Zhongshan Torch	September 30, 2023	November 22, 2023	10 million	9.38	**[REDACTED]**%
Series B++ Financing						
Shaanxi Photon Strong-Chain[3]	Shaanxi Photon Strong-Chain	March 31, 2024	April 25, 2024	20 million	9.38	**[REDACTED]**%
Beijing Xietai Holding[4]	Beijing Xietai	March 27, 2024	July 25, 2024	20 million	9.38	**[REDACTED]**%

Lock-Up period All existing Shareholders (including the Pre-**[REDACTED]** Investors) are subject to a lock-up period of 180 days following the **[REDACTED]** Date.

Basis of consideration The consideration for the Pre-**[REDACTED]** Investments was based on arm's length negotiations between us and the relevant Pre-**[REDACTED]** Investors after taking into consideration the timing of the investments and the status of our business and operations and the development milestone of our products.

Use of proceeds We used and will use the proceeds to finance our research and development activities and fund our daily operations. As of September 30, 2024, approximately 91.49% of the net proceeds from the Pre-**[REDACTED]** Investments has been utilized for the aforementioned purposes. We expect to use the remaining proceeds from the Pre-**[REDACTED]** Investments for the same purposes.

Strategic benefits of the Pre-[REDACTED] Investors brought to our Company	At the time of the Pre-**[REDACTED]** Investments, our Directors were of the view that our Company could benefit from the additional capital from the Pre-**[REDACTED]** Investments and the Pre-**[REDACTED]** Investors' knowledge and experience. Our Pre-**[REDACTED]** Investors include renowned companies in relevant industries which can help us achieve business synergies, and professional institutional investors which can provide us with professional advice on our Group's development and improve our corporate governance. The Pre-**[REDACTED]** Investments also demonstrate the Pre-**[REDACTED]** Investors' confidence in the business and operation of our Company.
Conversion of Preferred Shares	On the **[REDACTED]**, the Preferred Shares will automatically be converted into the Ordinary Shares on a one-to-one basis for such Preferred Shares in effect at the time immediately upon the **[REDACTED]**.

Note:

(1) Assuming the **[REDACTED]** of HK$**[REDACTED]** per Share, being the mid-point of the indicative **[REDACTED]** range.

(2) The cost per Share paid by the Pre-**[REDACTED]** Investors was calculated based on the amount of investment made by the relevant Pre-**[REDACTED]** Investors and the number of Shares held by them immediately before the completion of the **[REDACTED]**.

(3) Shaanxi Photon Strong-Chain acquired all the registered capital in Suzhou Zephyrm held by Xi'an Jinqing, an investor involved in the Series A Financing and made investment in Suzhou Zephyrm at the consideration of RMB10 million, representing RMB169,697 registered capital at the total consideration of RMB10,572,293. As part of the Reorganization, Shaanxi Photon Strong-Chain was alloted and issued 1,204,806 Series A Preferred Shares.

(4) The cost per Share for the investment made by Jiaxing Chenyue was calculated based on the amount of the investment made and relevant equity interests in Suzhou Zephyrm at the time when the relevant investment was made without taking into account the transfer of 0.8937% equity interests in Suzhou Zephyrm from Jiaxing Chenyue to Beijing Xietai in March 2024 at the total consideration of RMB20 million.

Rights of the Pre-[REDACTED] Investors

Pursuant to the shareholders' agreement dated September 29, 2024, the Pre-**[REDACTED]** Investors had been granted certain special rights, including, among others, directors appointment right, information right, pre-emptive right, right of co-sale and redemption right. Pursuant to the shareholders' agreement, save for the redemption right which was terminated before the date of our first submission of the **[REDACTED]** to the Stock Exchange, all the special rights granted to the Pre-**[REDACTED]** Investors will be terminated prior to the **[REDACTED]**.

Information about Our Pre-[REDACTED] Investors

Among our Pre-**[REDACTED]** Investors, each of Zhongke Chuangxing and Shaanxi Photon Strong-Chain, under the same control of CASSTAR Technology, is a Sophisticated Investor who has made meaningful investment in our Group in accordance with Chapter 2.3 of the Guide. Information of our Pre-**[REDACTED]** Investors who remained as our Shareholders as of the Latest Practicable Date is set out below. As our Pre-**[REDACTED]** Investments were made in Suzhou Zephyrm, our Pre-**[REDACTED]** Investors refer to those made relevant investments in Suzhou Zephyrm.

Xi'an Yingshi

Xi'an Yingshi was established in the PRC as an investment vehicle. Its executive partner and ultimate controller is Ms. XIE Shenglan (謝聖蘭), an Independent Third Party.

Zhongke Chuangxing and Shaanxi Photon Strong-Chain

Zhongke Chuangxing was established in the PRC as an investment vehicle. Its executive partner is Beijing CASSTAR Venture Capital Investment Management (Limited Partnership) (北京中科創星創業投資管理合夥企業(有限合夥)) ("**Beijing CASSTAR**"), whose executive partner is CASSTAR Technology Venture Capital Co., Ltd. (中科創星科技投資有限公司) ("**CASSTAR Technology**"). Beijing CASSTAR was 99.9% owned by CASSTAR Technology.

Shaanxi Photon Strong-Chain was established in the PRC as an investment vehicle. The managing partner of Shaanxi Photon Strong-Chain is Shaanxi Kemai Investment Management Partnership (Limited Partnership) (陝西科邁投資管理合夥企業(有限合夥)) ("**Shaanxi Kemai**") whose executive partner is CASSTAR Technology.

CASSTAR Technology was established in September 2013 and currently manages funds exceeding RMB10 billion. It has invested in over 480 projects. It is a venture capital firm focusing on early-stage investments in key and core technology area such as biotechnology, optoelectronic chips, artificial intelligence, aerospace, and intelligent manufacturing. Its main investments are directed towards early-stage and small to medium-sized technology companies with growth potential and independent innovation capabilities. Therefore, each of Zhongke Chuangxing and Shaanxi Photon Strong-Chain is a Sophisticated Investor. CASSTAR Technology has been honored with awards such as the "Best Early-Stage Investment Institution of the Year" at the 2024 Semiconductor Investment Annual Conference, and the top ranking for "Early-Stage Investment Institutions in China" in 2023 by Zero2IPO. CASSTAR Technology has been selected as a fund management institution for the second phase of the SMEs (Specialized and Innovative) Fund in Anhui Province, with a fund size of RMB2.57 billion.

Xi'an Zhonghe and Xi'an Zhenze

Each of Xi'an Zhonghe and Xi'an Zhenze was established in the PRC as an investment vehicle. The executive partner of each of Xi'an Zhonghe and Xi'an Zhenze is Xi'an Xindadi Entrepreneur Management Co., Ltd. (西安鑫大地企業管理有限公司) ("**Xi'an Xindadi**") whose ultimate controller is LI Hongyou (李鴻友).

Shandong Haoyang

Shandong Haoyang is a limited liability company established in the PRC as an investment vehicle and is ultimately controlled by Jinan Haoyang Investment Centre (Limited Partnership) (濟南顥楊投資中心(有限合夥)) ("**Jinan Haoyang**"). Jinan Haoyang's executive partner and ultimate controller is YANG Jinghu (楊京虎).

Jiaxing Chenyue and Zhongshan Chenyue

Each of Jiaxing Chenyue and Zhongshan Chenyue is established in the PRC as an investment vehicle. The executive partner of each of Jiaxing Chenyue and Zhongshan Chenyue is CCB (Beijing) Investment Funds Management Co., Ltd. (建信(北京)投資基金管理有限責任公司) ("**CCB (Beijing) Fund**"). Jiaxing Chenyue mainly focuses on investment in biotechnology companies. Zhongshan Chenyue mainly focuses on investment in biotechnology companies. CCB (Beijing) Fund is ultimately controlled by CCB Trust Co., Ltd. (建信信託有限責任公司) and mainly focuses on investment in biotechnology, new energy, computer science and electronic communication, etc.

Zhuxi Healthcare

Zhuxi Healthcare is established in the PRC as an investment vehicle. Its executive partner is Guangdong Technology Financial Fund of Funds Investment Management Co., Ltd. (廣東省粵科母基金投資管理有限公司) ("**Guangdong Technology**"). Zhuxi Healthcare mainly focuses on investment in biotechnology companies. Guangdong Technology is ultimately controlled by Guangdong Technology Financial Group Co., Ltd. (廣東省粵科金融集團有限公司) and mainly focuses on investment in strategic industries such as new generation information technology, bio-pharmaceuticals and health, advanced and frontier materials, high-end equipment manufacturing and intelligent robots, green technology and new energy, and automobiles.

Guoke Dingzhi

Guoke Dingzhi is established in the PRC as an investment vehicle. Its executive partner is Cash Capital (Beijing) Investment Management Co., Ltd. (國科嘉和(北京)投資管理有限公司) ("**Cash Capital**"). Guoke Dingzhi mainly focuses on investment in TMT industry and biotechnology companies. Cash Capital mainly focuses on investment in cutting-edge industries such as new generation information technology, integrated circuits, pharmaceuticals and health, intelligent equipment industry, energy conservation and environmental protection, new energy smart cars, new materials, artificial intelligence, software and information services, and technology services.

Beijing Yingshi and Beijing Yingshi Phase II and Beijing Yingsheng and Gongqingcheng Zhongquan and Beijing Xietai

Each of Beijing Yingshi, Beijing Yingshi Phase II and Beijing Yingsheng is established in the PRC as an investment vehicle. The executive partner of each of Beijing Yingshi, Beijing Yingshi Phase II and Beijing Yingsheng is China Science and Technology New Industry Development (Shenzhen) Co., Ltd. (中科新產業發展(深圳)有限公司) ("**China Science**"). China Science is ultimately controlled by Mr. Dong.

Each of Gongqingcheng Zhongquan and Beijing Xietai is established in the PRC and an investment vehicle. The executive partner of each of Gongqingcheng Zhongquan and Beijing Xietai is Mr. Dong.

Zhongshan Jintou

Zhongshan Jintou is established in the PRC as an investment vehicle. The executive partner of Zhongshan Jintou is Zhongshan Venture Capital Co., Ltd. (中山創業投資有限公司) ("**Zhongshan VC**"). Zhongshan Jintou mainly focuses on investment in technology companies. Zhongshan VC is ultimately controlled by Zhongshan Investment Holdings Group Co., Ltd. (中山投資控股集團有限公司), focusing its investments in strategic emerging industries encouraged for development in Zhongshan, including new energy, new generation information technology, intelligent equipment and advanced manufacturing, and biopharmaceuticals.

Zhongshan Jianze and Zhongshan Torch

Zhongshan Jianze was established as a private equity investment fund registered with the Asset Management Association of China in the PRC. The executive partner of Zhongshan Jianze is Zhongshan Healthcare Technology Industrial Base Investment Management Co., Ltd. (中山市健康科技產業基地投資管理有限公司) ("**Zhongshan Healthcare Technology**"). WU Yanguang (吳琰光) is the designated representative of Zhongshan Healthcare Technology. Zhongshan Jianze is ultimately controlled by (中山火炬高技術產業開發區管理委員會) ("**Zhongshan Huoju**"). Zhongshan Healthcare Technology mainly focuses on investment in biotechnology companies and Zhongshan Jianze is one of the investment vehicles of Zhongshan Healthcare Technology.

Zhongshan Torch is established in the PRC as an investment vehicle. The executive partner of Zhongshan Torch is Zhongshan Torch Electronic Industry Fund Management Co., Ltd. (中山火炬電子產業基金管理有限公司) ("**Zhongshan Torch Electronic**"). Zhongshan Torch Electronic was established on July 29, 2016 and was wholly-owned by Zhongshan Torch Huaying Investment Co., Ltd. (中山火炬華盈投資有限公司). Zhongshan Torch has been certified by the China Securities Investment Fund Association as a private equity fund. Zhongshan Torch Electronic leverages the solid government and financial institution resources of state-owned enterprises, aligning with national policies. It provides diversified investment and management services for incubating enterprises, park enterprises, project attraction, and the development of multiple parks in the area. It also acts as the fund manager responsible for fund raising, investment, management, and exits.

Each of Zhongshan Healthcare Technology and Zhongshan Torch Electronic is a indirect wholly-owned subsidiary of Zhongshan Torch Public-owned Assets Management Group Co., Ltd. (中山火炬公有資產經營集團有限公司).

Yuanqing Bencao

Yuanqing Bencao is established in the PRC as an investment vehicle. The executive partner of Yuanqing Bencao is Nantong Sanyi Tongxing Management Consulting Center (Limited Partnership) (南通三益同興管理諮詢中心(有限合夥)) ("**Nantong Sanyi**"). Yuanqing Bencao mainly focuses on investment in biotechnology companies. The general partner of Nantong Sanyi is Beijing Sanyi Investment Management Co., Ltd. (北京三益投資管理有限公司) and mainly focuses on investment in healthcare industry.

Gongqingcheng Ruiji Fund III

Gongqingcheng Ruiji Fund III is a limited partnership enterprise and private equity fund registered in accordance with the PRC laws. The general partner of Gongqingcheng Ruiji Fund III is Shenzhen Zhenji Capital Private Equity Investment Management Co., Ltd. (深圳市貞吉資本私募股權投資管理有限公司) ("**Shenzhen Zhenji**"), which is ultimately controlled by Mr. DAI Shan (戴珊) and Mr. ZHAO Xiaoqiang (趙小強), who are Independent Third Parties. Gongqingcheng Ruiji Fund III has successfully invested in several innovative biopharmaceutical companies in the clinical stage.

Junying Chengzhang

Junying Chengzhang is an equity investment fund established in the PRC. The executive partner of Junying Chengzhang is Shaanxi Growth Enterprise Leading Fund Co., Ltd. (陝西省成長性企業引導基金管理有限公司) ("**Shaanxi Growth**"). Junying Chengzhang mainly focuses on investment in biotechnology companies. Shaanxi Growth is ultimately controlled by State-owned Assets Supervision and Administration Commission of Shaanxi Provincial People's Government (陝西省人民政府國有資產監督管理委員會) and mainly focuses on investment in strategic emerging industries including but not limited to semiconductors and new generation information technology, high-end equipment manufacturing and intelligent manufacturing, medical health, new materials and new energy.

Beijing Kefu

Beijing Kefu is established in the PRC as an investment vehicle. It is wholly-owned by Beijing Huairou Science City Construction Development Co., Ltd. (北京懷柔科學城建設發展有限公司) ("**Beijing Huairou Science City**"). Beijing Kefu is the main investment platform of Beijing Huairou Science City. The core business of Beijing Kefu includes three main sectors: asset operation, technology services, and industrial investment. It actively absorbs the overflow of innovative resources, with a focus on promoting the life sciences industry and the hard technology industry, represented by high-end instrument sensors, to gather and develop in Huairou Science City.

Jiaxing Woyu

Jiaxing Woyu is established in the PRC as an investment vehicle. The executive partner of Jiaxing Woyu is Shanghai Woken Asset Management Co., Ltd. (上海沃肯資產管理有限公司) which mainly focus on investment in biotechnology companies and is ultimately controlled by ZHANG Yinhan (張吟含), an Independent Third Party.

Public Float

Upon completion of the **[REDACTED]**, our group of Controlling Shareholders will hold 108,315,047 Shares, directly or indirectly, representing approximately 44.98% of the total issued Shares as of September 30, 2024, or approximately **[REDACTED]**% of the total issued Shares upon the **[REDACTED]** (assuming the **[REDACTED]** is not exercised). Mr. Dong will hold 53,044,938 Shares, directly or indirectly, representing approximately 22.03% of the total issued Shares as of September 30, 2024, or approximately **[REDACTED]**% of the total issued Shares upon the **[REDACTED]** (assuming the **[REDACTED]** is not exercised). Therefore, as a result, the 161,359,985 Shares held by our core connected persons, representing a total of approximately 67% of the total issued Shares as of September 30, 2024, or approximately **[REDACTED]**% of the total issued Shares upon the **[REDACTED]** (assuming the **[REDACTED]** is not exercised) of our Company's total issued Shares, will not count towards the public float. Saved as provided above, as of September 30, 2024, no other Shareholder will be a core connected person of the Company upon the completion of the **[REDACTED]**.

Taking into account the above and the Shares to be issued pursuant to the **[REDACTED]** (assuming no exercise of the **[REDACTED]**), our Company will meet the public float requirement under the Listing Rules after the completion of the **[REDACTED]**. We will make appropriate disclosure of our public float and confirm the sufficiency of our public float in successive annual reports after the **[REDACTED]**.

Compliance with the Pre-[REDACTED] Investment Guidance

On the basis that (i) the consideration for the Pre-**[REDACTED]** Investments was irrevocably settled no less than 120 clear days before the **[REDACTED]**; and (ii) the special rights granted to the Pre-**[REDACTED]** Investors will be terminated prior to the Listing (save for the redemption right which was terminated before the date of the first submission of the **[REDACTED]** application to the Stock Exchange as described above), the Sole Sponsor confirms that the Pre-**[REDACTED]** Investments are in compliance with the guidance in Chapter 4.2 of the Guide For New Listing Applicants (the "**Pre-[REDACTED] Investment Guidance**") published in November 2023 by the Stock Exchange and effect from January 1, 2024.

CAPITALIZATION

The below table is a summary of the capitalization of our Company as of September 30, 2024 and immediately upon completion of the **[REDACTED]** (assuming no exercise of the **[REDACTED]**):

		No. of Shares						Shareholding percentage as of September 30, 2024	Shareholding upon completion of the [REDACTED] (assuming no exercise of the [REDACTED] percentage)	
Shareholders	Corresponding shareholders of Suzhou Zephyrm	Ordinary Shares	Series Angel Preferred Shares	Series A Preferred Shares	Series B Preferred Shares	Series B+ Preferred Shares	Series B++ Preferred Shares		No. of Shares	Approximate shareholding percentage
Xiangjing Phase II	Beijing Xiangjing	92,296,743	–	–	–	–	–	38.33%	92,296,743	[REDACTED]%
Zephyrm Tongchuang Holding	Zephyrm Tongchuang	26,580,190	–	–	–	–	–	11.04%	26,580,190	[REDACTED]%
Zephyrm Tongchuang Phase II Holding	Zephyrm Tongchuang	16,018,304	–	–	–	–	–	6.65%	16,018,304	[REDACTED]%
Huijing Yonglong	Shenzhen Yonglong	10,972,307	–	–	–	–	–	4.56%	10,972,307	[REDACTED]%
Pre-[REDACTED] *Investors*										
Shanghai Xirong	Jiaxing Chenyue	–	–	–	8,897,555	–	–	3.69%	12,097,170	[REDACTED]%
	Zhongshan Chenyue	–	–	–	–	3,199,615	–	1.33%		
Xi'an Yingshi Holding	Xi'an Yingshi	–	11,101,423	–	–	–	–	4.61%	11,101,423	[REDACTED]%
Zhongke Chuangxing	Zhongke Chuangxing	–	10,327,000	–	–	–	–	4.29%	10,327,000	[REDACTED]%
Haoyang Shengwu	Shandong Haoyang	–	9,036,049	–	–	–	–	3.75%	9,036,049	[REDACTED]%
Zhuxi Healthcare	Zhuxi Healthcare	–	–	–	–	5,332,693	–	2.21%	5,332,693	[REDACTED]%
Yingsheng Fukun	Beijing Yingsheng	–	–	–	5,332,693	–	–	2.21%	5,332,693	[REDACTED]%
Guoke Dingzhi	Guoke Dingzhi	–	–	4,819,200	–	–	–	2.00%	4,819,200	[REDACTED]%
Zhonghe Tiancheng	Xi'an Zhonghe	–	4,388,937		–	–	–	1.82%	4,388,937	[REDACTED]%
Yingshi Shengwu	Beijing Yingshi	–	–	3,614,418	–	–	–	1.50%	3,614,418	[REDACTED]%

Shareholders	Corresponding shareholders of Suzhou Zephyrm	No. of Shares						Shareholding percentage as of September 30, 2024	Shareholding upon completion of the [REDACTED] (assuming no exercise of the [REDACTED] percentage)	
		Ordinary Shares	Series Angel Preferred Shares	Series A Preferred Shares	Series B Preferred Shares	Series B+ Preferred Shares	Series B++ Preferred Shares		No. of Shares	Approximate shareholding percentage
Shaanxi Photon Strong-Chain	Shaanxi Photon Strong-Chain	–	–	1,204,806	–	–	–	0.50%	3,337,883	[REDACTED]%
		–	–	–	–	–	2,133,077	0.89%		
Zhongshan Jintou	Zhongshan Jintou	–	–	–	–	3,199,615	–	1.33%	3,199,615	[REDACTED]%
Zhongshan Jianze	Zhongshan Jianze	–	–	–	–	2,986,304	–	1.24%	2,986,304	[REDACTED]%
Gongqingcheng Ruiji Fund III	Gongqingcheng Ruiji Fund III	–	–	2,409,600	–	–	–	1.00%	2,409,600	[REDACTED]%
Junying Chengzhang	Junying Chengzhang	–	–	2,409,600	–	–	–	1.00%	2,409,600	[REDACTED]%
Yuanqing Bencao Investment	Yuanqing Bencao	–	–	2,409,600	–	–	–	1.00%	2,409,600	[REDACTED]%
Yingshi Phase II	Beijing Yingshi Phase II	–	–	–	2,279,176	–	–	0.95%	2,279,176	[REDACTED]%
Beijing Kefu	Beijing Kefu	–	–	–	–	2,133,077	–	0.89%	2,133,077	[REDACTED]%
Gongqingcheng Zhongquan Holding	Gongqingcheng Zhongquan	–	–	–	–	2,133,077	–	0.89%	2,133,077	[REDACTED]%
Beijing Xietai Holding	Beijing Xietai	–	–	–	–	–	2,133,077	0.89%	2,133,077	[REDACTED]%
Zhenze Chuxin	Xi'an Zhenze	–	–	1,204,800	–	–	–	0.50%	1,204,800	[REDACTED]%
Jiaxing Woyu	Jiaxing Woyu	–	–	1,204,800	–	–	–	0.50%	1,204,800	[REDACTED]%
Zhongshan Torch		–	–	–	–	1,066,538	–	0.44%	1,066,538	[REDACTED]%
Subtotal		145,867,544	34,853,409	19,276,824	16,509,424	20,050,919	4,266,154	100%	240,824,274	–
Other Public Shareholders	–	–	–	–	–			–	[REDACTED]	[REDACTED]%
Total								**100%**	[REDACTED]	**100%**

PRC LEGAL COMPLIANCE

Corporate Structure

Our PRC Legal Adviser has confirmed that all applicable regulatory approvals in relation to the equity transfers in respect of the PRC companies in our Group as described above have been obtained, such equity transfers have been legally completed, and the procedures involved have been carried out in accordance with applicable PRC laws and regulations.

M&A Rules

Pursuant to the Provisions on the Merger and Acquisition of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) (the "**M&A Rules**"), which were jointly promulgated by the Ministry of Commerce, the State-owned Assets Supervision and Administration Commission of the State Council, the SAT, the State Administration for Industry and Commerce, the CSRC and the SAFE on August 8, 2006, came into effect on September 8, 2006 and subsequently amended by the MOC on June 22, 2009, a foreign investor is required to obtain necessary approvals when it

(i) acquires equity of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise;

(ii) subscribes for new equity via an increase in registered capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise;

(iii) establishes a foreign-invested enterprise through which it purchases the assets of a domestic enterprise and operates these assets; or

(iv) purchases assets of a domestic enterprise, and then invests such assets to establish a foreign-invested enterprise.

As advised by our PRC Legal Adviser, considering that (i) Zephyrm Boda was established as a wholly foreign-owned enterprise by means of direct investment rather than by merger or acquisition by our Company under the M&A Rules; (ii) no provision in the M&A Rule clearly classifies contractual arrangements as a type of transaction subject to the M&A Rules, the establishment of Zephyrm Boda is not subject to the M&A Rules.

SAFE Circular 37

SAFE promulgated the Circular of the State Administration of Foreign Exchange on Issues concerning Foreign Exchange Administration over the Overseas Investment and Financing and Round-trip Investment by Domestic Residents via Special-Purpose Vehicles (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) (the "**SAFE Circular 37**") on July 14, 2014, which replaced the former circular commonly known as "SAFE Circular 75" promulgated by SAFE on October 21, 2005. SAFE Circular 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular 37 as a "special purpose vehicle". SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as increase or decrease of capital contributed by PRC individuals, share transfer or swap, merger, division or other material event. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle maybe restricted in its ability to contribute additional capital into its PRC subsidiary. Furthermore, failure to comply with the SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

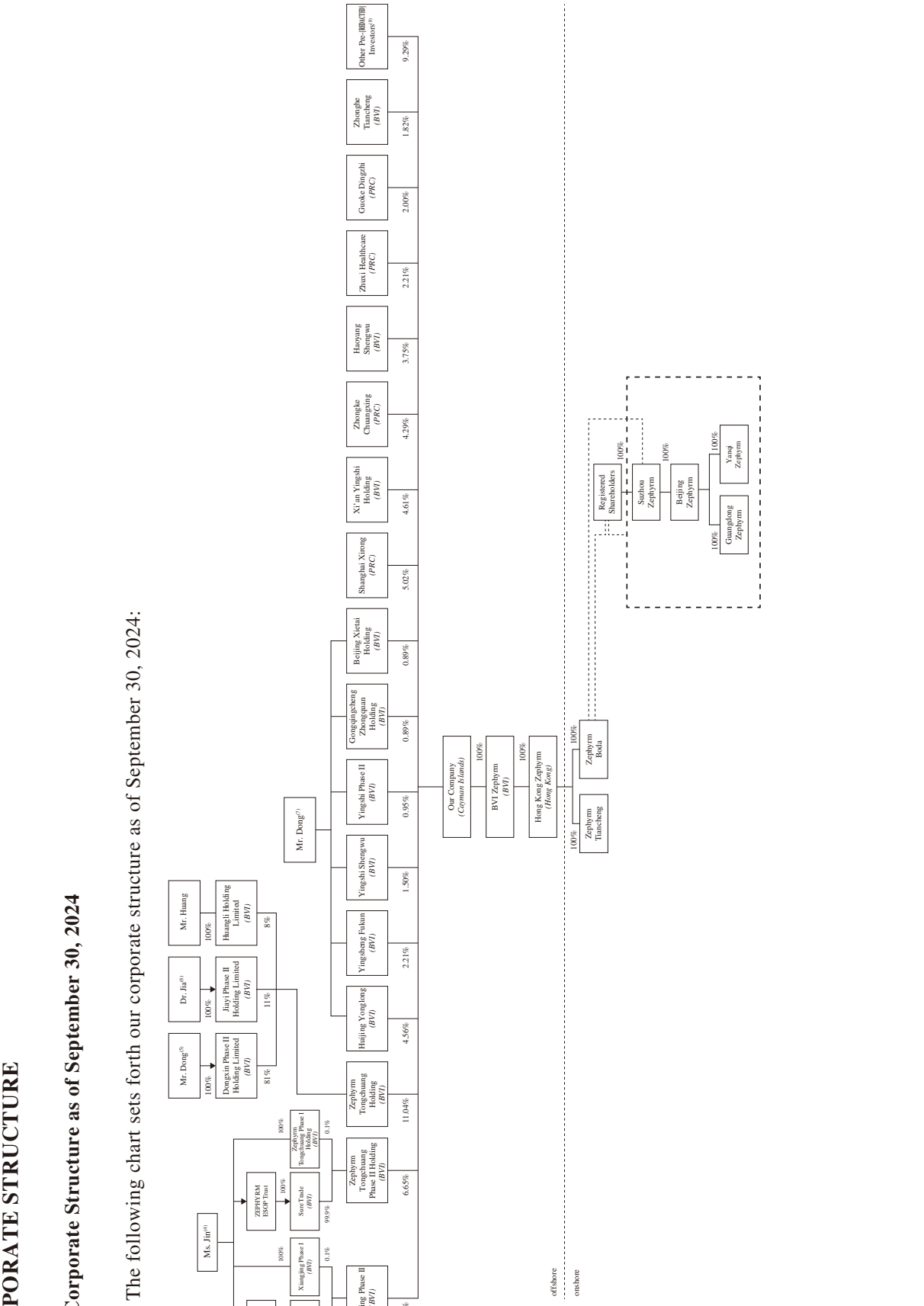
On February 13, 2015, SAFE released the Notice on Further Simplifying the Improving Policies for the Foreign Exchange Administration of Direct Investment (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知) (the "**SAFE Circular 13**"), which became effective from June 1, 2015. According to SAFE Circular 13, local banks shall examine and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration under SAFE Circular 37. However, there exists uncertainties with respect to its interpretation and implementation by governmental authorities and banks.

Our PRC Legal Adviser has further advised that Ms. Jin, Mr. Dong, Dr. Jia and Ms. LI Li (李黎) have completed the foreign exchange registration under SAFE Circular 37 and SAFE Circular 13 on September 19, 2024.

CORPORATE STRUCTURE

Our Corporate Structure as of September 30, 2024

The following chart sets forth our corporate structure as of September 30, 2024:



Notes:

1. ----- denotes contractual relationships under the Contractual Arrangements. Under the Contractual Arrangements, Zephyrm Boda shall provide technical services to our Consolidated Affiliated Entities, and our Consolidated Affiliated Entities shall pay service fees to Zephyrm Boda directly.

2. [_ _] denotes equity interests controlled by our Group under the Contractual Arrangements.

3. ◄—— denotes equity interests controlled through trust arrangement.

4. As of the Latest Practicable Date, Xiangjing Phase II was owned as to approximately 0.1% by Xiangjing Phase I Holding Limited, a wholly-owned company incorporated in BVI of Ms. Jin and 99.9% by Jin Family, a holding company of the JIN FAMILY Trust, respectively. For details, see "– Establishment of Family Trust" in this section. As of the Latest Practicable Date, Zephyrm Tongchuang Phase II Holding was owned as to approximately 0.1% by Zephyrm Tongchuang Phase I Holding, a wholly-owned company of Ms. Jin incorporated in BVI and 99.9% by Sure Trade, which was wholly-owned by Core Trust, which was wholly-owned by Core Trust, the trustee of the ZEPHYRM ESOP Trust, via TCT (BVI) Limited, respectively. For details, see "Appendix V – Statutory and General Information – D. 2024 RSU Plan" to this document.

5. As of the Latest Practicable Date, Dongxin Phase II Holding Limited was owned as to approximately 10% by Dongxin Phase I, a wholly-owned company of Mr. Dong incorporated in BVI and 90% by Shawn Tung Limited, a holding company of the Tung Trust, respectively. For details, see "– Establishment of Family Trust" in this section.

6. As of the Latest Practicable Date, Jiayi Phase II Holding Limited was owned as to approximately 20% by Jiayi Phase I, a wholly-owned company of Dr. Jia incorporated in BVI and 80% by Capybara Fortune, a holding company of the WEINING Trust, respectively. For details, see "– Establishment of Family Trust" in this section.

7. As of the Latest Practicable Date, each of Huijin Yonglong, Yingsheng Fukun, Yingshi Shengwu, Yingshi Phase II, Gongqingcheng Zhongquan Holding and Beijing Xietai Holding was ultimately controlled by Mr. Dong.

8. As of September 30, 2024, Other Pre-**[REDACTED]** Investors included:

   (a) Shaanxi Photon Strong-Chain, which held approximately 1.39% of our total issued Shares;

   (b) Zhongshan Jintou, which held approximately 1.33% of our total issued Shares;

   (c) Zhongshan Jianze, which held approximately 1.24% of our total issued Shares;

   (d) Gongqingcheng Ruiji Fund III, which held approximately 1.00% of our total issued Shares;

   (e) Junying Chengzhang, which held approximately 1.00% of our total issued Shares;

   (f) Yuanqing Bencao Investment, which held approximately 1.00% of our total issued Shares;

   (g) Beijing Kefu, which held approximately 0.89% of our total issued Shares;

   (h) Zhenze Chuxin, which held approximately 0.50% of our total issued Shares;

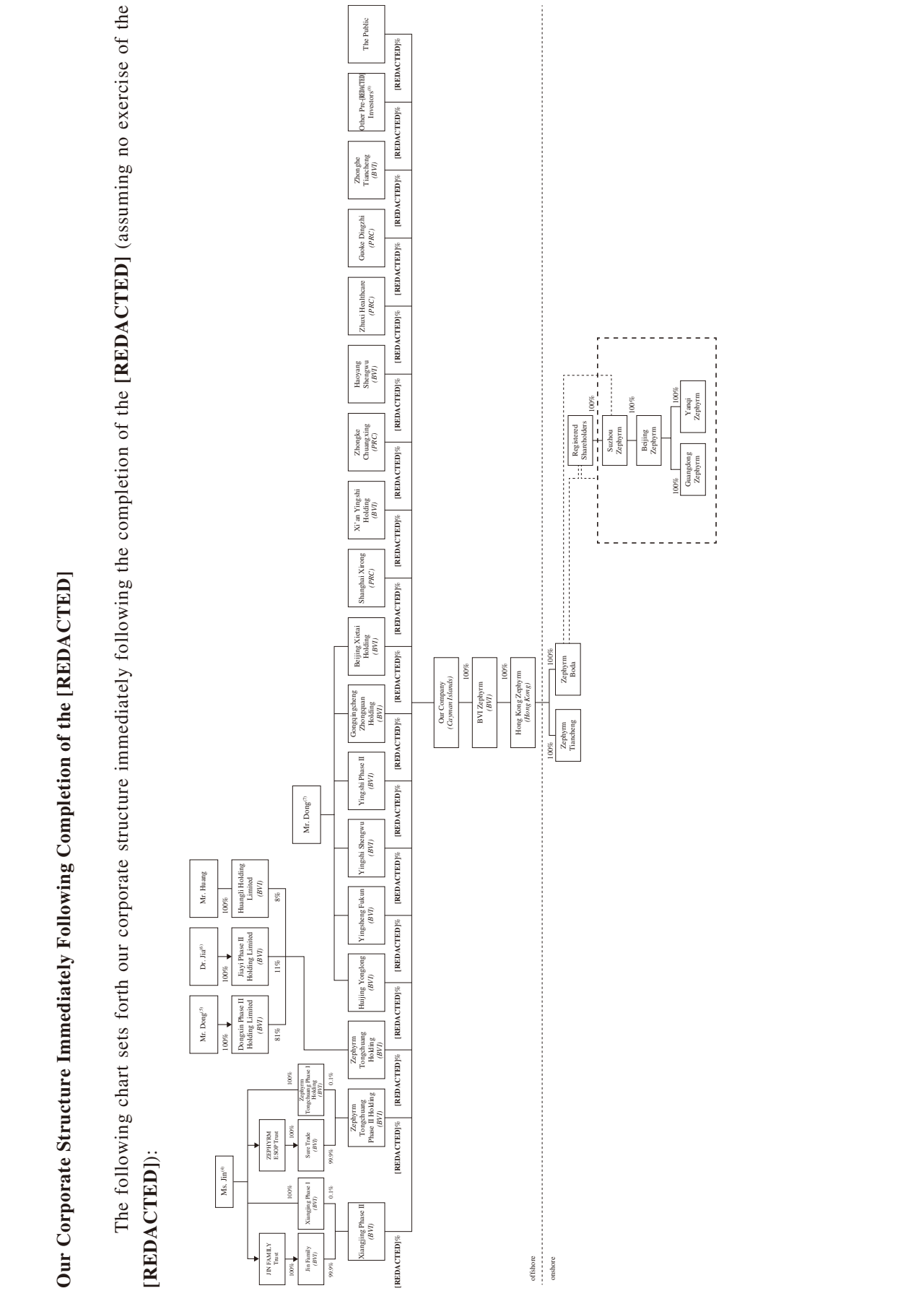
   (i) Jiaxing Woyu, which held approximately 0.50% of our total issued Shares; and

   (j) Zhongshan Torch, which held approximately 0.44% of our total issued Shares.

9. Percentages shown as totals in the chart may not be the arithmetic aggregation of the figures shown in the notes are due to rounding adjustment.

Our Corporate Structure Immediately Following Completion of the [REDACTED]

The following chart sets forth our corporate structure immediately following the completion of the **[REDACTED]** (assuming no exercise of the **[REDACTED]**):



Notes:

1. ----- denotes contractual relationships under the Contractual Arrangements. Under the Contractual Arrangements, Zephyrm Boda shall provide technical services to our Consolidated Affiliated Entities, and our Consolidated Affiliated Entities shall pay service fees to Zephyrm Boda directly.

2. ⌜ ⌝ denotes equity interests controlled by our Group under the Contractual Arrangements.

3. ◄—— denotes equity interests controlled through trust arrangement.

4. As of the Latest Practicable Date, Xiangjing Phase II was owned as to approximately 0.1% by Xiangjing Phase I Holding Limited, a wholly-owned company incorporated in BVI of Ms. Jin and 99.9% by Jin Family, a holding company of the JIN FAMILY Trust, respectively. For details, see "– Establishment of Family Trust" in this section. As of the Latest Practicable Date, Zephyrm Tongchuang Phase II Holding was owned as to approximately 0.1% by Zephyrm Tongchuang Phase I Holding, a wholly-owned company of Ms. Jin incorporated in BVI and 99.9% by Sure Trade, which was wholly-owned by Core Trust, the trustee of the ZEPHYRM ESOP Trust via TCT (BVI) Limited, respectively. For details, see "Appendix V – Statutory and General Information – D. 2024 RSU Plan" to this document.

5. As of the Latest Practicable Date, Dongxin Phase II was owned as to approximately 10% by Dongxin Phase I, a wholly-owned company of Mr. Dong incorporated in BVI and 90% by Shawn Tung Limited, a holding company of the Tung Trust, respectively. For details, see "– Establishment of Family Trust" in this section.

6. As of the Latest Practicable Date, Jiayi Phase II was owned as to approximately 20% by Jiayi Phase I, a wholly-owned company of Dr. Jia incorporated in BVI and 80% by Capybara Fortune Limited, a holding company of the WEINING Trust, respectively. For details, see "– Establishment of Family Trust" in this section.

7. As of the Latest Practicable Date, each of Huijin Yonglong, Yingsheng Fukun, Yingshi Shengwu, Yingshi Phase II, Gongqingcheng Zhongquan Holding and Beijing Xietai Holding was ultimately controlled by Mr. Dong.

8. Other Pre-**[REDACTED]** Investors included:

   (a) Shaanxi Photon Strong-Chain, which will hold approximately **[REDACTED]**% of our total issued Shares s immediately following the completion of the **[REDACTED]** (assuming no exercise of the **[REDACTED]**);

   (b) Zhongshan Jintou, which will hold approximately **[REDACTED]**% of our total issued Shares s immediately following the completion of the **[REDACTED]** (assuming no exercise of the **[REDACTED]**);

   (c) Zhongshan Jianze, which will hold approximately **[REDACTED]**% of our total issued Shares s immediately following the completion of the **[REDACTED]** (assuming no exercise of the **[REDACTED]**);

   (d) Gongqingcheng Ruiji Fund III, which will hold approximately **[REDACTED]**% of our total issued Shares s immediately following the completion of the **[REDACTED]** (assuming no exercise of the **[REDACTED]**);

   (e) Junying Chengzhang, which will hold approximately **[REDACTED]**% of our total issued Shares s immediately following the completion of the **[REDACTED]** (assuming no exercise of the **[REDACTED]**);

(f) Yuanqing Bencao Investment, which will hold approximately **[REDACTED]**% of our total issued Shares s immediately following the completion of the **[REDACTED]** (assuming no exercise of the **[REDACTED]**);

(g) Beijing Kefu, which will hold approximately **[REDACTED]**% of our total issued Shares s immediately following the completion of the **[REDACTED]** (assuming no exercise of the **[REDACTED]**);

(h) Zhenze Chuxin, which will hold approximately **[REDACTED]**% of our total issued Shares s immediately following the completion of the **[REDACTED]** (assuming no exercise of the **[REDACTED]**);

(i) Jiaxing Woyu, which will hold approximately **[REDACTED]**% of our total issued Shares s immediately following the completion of the **[REDACTED]** (assuming no exercise of the **[REDACTED]**); and

(j) Zhongshan Torch, which will hold approximately **[REDACTED]**% of our total issued Shares s immediately following the completion of the **[REDACTED]** (assuming no exercise of the **[REDACTED]**).

9. Percentages shown as totals in the chart may not be the arithmetic aggregation of the figures shown in the notes are due to rounding adjustment.

OVERVIEW

We are a clinical-stage biopharmaceutical company dedicated to the development of innovative cell therapy products derived from PSCs for the treatment of a variety of medical conditions. As one of the early entrants in PSC-derived cell therapy in China and globally, we are the first company in China that has received IND clearances for PSC-derived cell therapy products and the only company in China that has multiple PSC-derived cell therapy assets currently in Phase II clinical trials according to Frost & Sullivan. We have developed a PSC-derived cell therapy product development platform, PROF, which comprises three independent but integrated technology platforms, namely, PROF-seed, PROF-function, and PROF-formulator. Leveraging our proprietary and integrated technology platforms, we follow a systematic approach to build and continuously expand our therapeutic product portfolio, addressing medical needs that cannot be easily met by small molecule drugs and other types of biologics. Leveraging our PROF platform and underlying technologies, we are also able to address the major challenges of existing cell therapy products such as developing functional cells without being limited by cell sources, improving batch-to-batch consistency, achieving industrial-scale production and reducing treatment costs. The near-term focus of our development efforts is therapeutic products derived from hESCs, which are PSCs derived from human embryos with the ability to differentiate into all types of cells of human body. Our vision is to become a global biopharmaceutical leader committed to the trust of life by bringing innovative and differentiated therapeutic solutions to patients worldwide.

Our Pipeline

Leveraging our proprietary technologies in key areas of cell therapy product development, we have developed a comprehensive and differentiated pipeline of four product candidates with broad indication coverage, including one at clinical stage, two in IITs and one at pre-clinical stage. The following chart summarizes our pipeline and the development status of each product candidate as of the Latest Practicable Date.

	Drug Candidate	Indications[4] (Line of Treatment)	Status	Commercial Rights[1]	Upcoming Milestones
M Cell	ZH901[2,3] ★	AE-ILD	Pre-Clinical / Ph-I / Ph-II / Ph-III	Global	Phase III initiation in 2025
		aGVHD (2L)		Global	Phase III initiation in 2025
		Meniscus Injury		Global	Phase II/III initiation in 2025
		ARDS		Global	Complete Phase II in 2026
mDAP Cell	ZH903[2,3] ▲	Parkinson's Disease	*Under IIT*	Global	NMPA IND application in 2026
RPE Cell	ZH902[2,3] ▲	Dry AMD	*Under IIT*	Global	NMPA IND application in 2026
CEnC	ZH906[3] ▲	Corneal Endothelium Decompensation		Global	NMPA IND application in 2026

★ Core Product ▲ Key Product

Abbreviations: RPE = retinal pigment epithelial; mDAP = midbrain dopaminergic progenitor; CEnC = corneal endothelial cell; ARDS = acute respiratory distress syndrome; AE-ILD = acute exacerbation of interstitial lung disease; aGVHD = acute graft versus host disease; AMD = age related macular degeneration; IND = investigational new drug application; IIT = investigator-initiated clinical trial; Ph = phase; 2L = second-line.

Note:

1. We have sole rights to use two hESC lines (single-source stem cells, free from contamination by cells from other humans or animals) originated from the Strategic Collaborators, which have been utilized for establishing our master cell bank and working cell bank in connection with our cell therapy products development and related production. For details of the license of the hESC lines pursuant to the collaboration agreements between the Strategic Collaborators and us, see "Business – Collaboration Agreements – Collaboration Arrangement With the Strategic Collaborators" in this document.

2. According to the collaboration agreements between the Strategic Collaborators and us, we hold sole licenses to the patent rights for the differentiation pathways of M cells, mDAP cells, and RPE cells from hESCs, which technologies have been utilized in certain aspects of our development of ZH901, ZH903 and ZH902. In addition, we hold the exclusive commercialization rights to the patent rights for the differentiation pathways of M cells, mDAP cells, and RPE cells derived from hESCs worldwide. For details, see "Business – Collaboration Agreements – Collaboration Arrangement With the Strategic Collaborators" in this document.

3. The product candidate is intended to be used as monotherapy.

4. Except for aGVHD, currently there are no guidelines with respect to the treatment line of these indications.

Source: Company data

Our hESC-derived product portfolio includes the following candidates:

- **ZH901**, our Core Product, is an M cell therapy product currently being investigated for the treatment of injuries, and inflammatory and degenerative diseases, including AE-ILD, aGVHD, meniscus injuries and ARDS. The clinical development of ZH901 for each of these indications has advanced into Phase II in China.

  Our clinical studies have provided promising safety data of ZH901 for each indication. As of the Latest Practicable Date, approximately 100 patients had received ZH901 treatment in multiple clinical trials either via intravenous infusion or intra-articular knee joint administration. None of them experienced any SAEs caused by ZH901, and Grade 1 or 2 AEs possibly related to ZH901 according to the investigator can be resolved without special medical intervention, indicating that ZH901 was well tolerated and had an encouraging safety profile.

  Multiple clinical studies have shown that ZH901 has significant potential as an effective treatment for AE-ILD, aGVHD, meniscus injuries, and ARDS. Data suggest that ZH901 can improve pulmonary ventilation function (FVC), aerobic capacity (6-MWT), exercise endurance (SGRQ score), and shortness of breath (SOBQ score) in patients with pulmonary fibrosis caused by COVID-19. It can also rapidly improve both short term indicators (such as fraction of inspiration oxygen and oxygenation index) and long-term efficacy markers (such as pulmonary diffusion function (DLCO)) in ARDS caused by COVID-19. These data suggest that ZH901 may potentially address AE-ILD and ARDS. Additionally, in patients with aGVHD, we have observed an ORR of 77.78% in an ongoing Phase II trial as of the Latest Practicable Date. Furthermore, ZH901 has been observed to improve joint function and relieve pain in patients with meniscus injuries.

- **ZH903**, one of our Key Products, is an mDAP cell therapy product under development for the treatment of Parkinson's disease. Clinical studies of ZH903 are currently at the IIT stage. Our clinical studies as of date have provided encouraging safety and efficacy data. An ongoing IIT of ZH903 striatal transplantation in enrolled patients has shown a lack of severe adverse reactions, including bleeding or tumorigenesis, with most patients experiencing improvements in motor function, alleviation of non-motor symptoms, extension of on-time duration, and enhancements in sleep.

- **ZH902**, one of our Key Products, is a RPE cell therapy product under development for the treatment of dry AMD. Clinical studies focusing on dry AMD are at the IIT stage. Encouraging safety and efficacy profiles have been observed in our studies as of date. According to the results of an ongoing IIT, after a follow-up period of at least one year, certain patients experienced improvements in vision or an increase in retinal and choroidal thickness. Long-term survival of the transplanted cells was observed in all patients who received the transplantation.

- **ZH906**, one of our Key Products, is a CEnC therapy product under development for the treatment of corneal endothelium decompensation. Currently, we are conducting research on the differentiation of CEnC based on our PROF-function platform. Having obtained CEnCs via an optimized differentiation pathway complying with requirements for clinical development, we are conducting *in vivo* studies to assess the biological functions of ZH906.

Our Technology Platforms

Led by an experienced management team of industry veterans, we have built our integrated PSC-derived cell therapy product development platform, *PROF*, consisting of our Pluripotent Stem Cell Seed Platform (PROF-seed), Vital Functional Cell Development Platform (PROF-function) and Formulation Optimization Platform (PROF-formulator). These independent but integrated platforms cover key technologies of the entire lifecycle of PSC-derived cell therapy product development and form the foundation for our continuous and systematic development of innovative cell therapy products. Through these platforms, we have the capability to continuously deliver innovative off-the-shelf stem cell-derived cell therapy products, contributing to the formation of new productive forces (新質生產力).

PROF-seed. Building upon human PSCs' capability of unlimited proliferation, our PROF-seed platform provides the technological infrastructure for bulk production of human PSCs in a streamlined process, thereby ensuring adequate and stable supply of cell seeds for downstream functional cell development and formulation development and production. In particular, we obtained two hESC lines from the National Stem Cell Resource Center. Leveraging our propagation technology, we then established our master cell bank and working cell bank for downstream development and manufacturing of functional cells. The foregoing sourcing process not only ensures clear and traceable sources of hESC lines that comply with applicable human genetic resource management and ethical regulations but also lays the foundation for industrial-scale production of cell therapy products.

PROF-function. Following an indication-oriented approach, we select candidate functional cells with therapeutic potential for treating the target indications based on the functional cells' respective biologic characteristics and mechanisms of action. We design PSC-derived cell therapy products tailored to the specific medical condition, leveraging our understanding of mechanisms of action of various functional cells such as modulating immune system, promoting cell growth or regeneration and replacing dysfunctional human cells. Building upon ESCs' ability to differentiate into all cell types in human body, and based on our understanding of development biology, we design directed differentiation pathways for PSCs into the selected functional cells with optimal potential for disease treatment. Upon selecting the targeting functional cell type, we select the most suitable pathway with high potential for standardized production and optimize it into a manufacturing process that is suitable for large-scale production.

PROF-formulator. In order to produce off-the-shelf allogeneic cell therapy products readily injectable into patients, functional cells generated from successful differentiation require further processing and formulation. Leveraging our PROF-formulator platform, we design and adjust the components of excipients and functional cells based on the intended use, storage conditions, and route of administration for each type of functional cells, to develop product formulations specifically tailored for each type of functional cells so that the selected functional cells can transform into easy-to-use injectable therapeutic products that are suitable for convenient transportation, long-term storage, and immediate administration at hospitals upon physician prescription. We have also developed automatic temperature-controlled rate-freezing technologies to ensure the vitality of functional cells after thawing from vapor phase liquid nitrogen preservation. Leveraging PROF-formulator, we had developed formulations for off-the-shelf allogeneic cell therapy products derived from M cells, mDAP cells and RPE cells as of the Latest Practicable Date.

Featuring our proprietary technologies in directed differentiation, scale-out based cell expansion and cell formulation development, our platforms support integrated in-house capabilities that span from cell expansion, cell differentiation, and therapeutically functional cell screening to formulation development and production. Guided by QbD as the key concept, we conduct a number of activities that are essential to cell therapy product development on our technology platforms, including functional cell screening for candidate cell identification, analysis of developmental route in target tissue and cells to design differentiation protocols, systematic research on cell differentiation and culture processes, process scale up and optimization, clinical sample preparation and process validation. In addition to the continuous development of our existing product candidates, we also leverage our technology platforms for indication expansion and investigation of additional functional cells to further diversify our cell therapy product portfolio.

Besides research and development, we have dedicated to building other key capabilities for drug development such as manufacturing and quality control. We have established our in-house GMP-compliant production processes that cover end-to-end cell therapy product manufacturing. We have launched our Beijing Facility with a total GFA of approximately 2,400 sq.m. and a manufacturing capacity of approximately 35,000 injectable cell therapy products per year, which can adequately support our clinical development and early commercialization. We also plan to establish a new manufacturing facility in Zhongshan, Guangdong Province, which is expected to increase our manufacturing capacity to approximately 500,000 injectable cell therapy products per year. Our in-house manufacturing capabilities feature a highly standardized production process and efficient quality control protocol to ensure industrial-scale production of therapeutic products with batch-to-batch consistency. The production process starts from obtaining and resuscitating PSCs from our working cell bank followed by subsequent differentiation and successive passages, formulation, packaging, and cryopreservation. In line with international quality control standards such as GMP and CNAS and regulatory requirements of major markets, we have established an integrated quality control system featuring SOPs specifying procedures and requirements covering all stages of our cell therapy product development and production. Additionally, prior to the receipt of marketing approval of our product candidates, we plan to assemble a dedicated in-house sales and marketing force to support the initial product launch in China and collaborate with overseas local partners for international markets as part of our long-term localized commercialization strategies for global expansion.

The strength of our Company has been underpinned by our leadership and other team members since the establishment of our Company. We have assembled an experienced management team comprised of seasoned academic professionals and industry veterans that collectively cover every step of the cell therapy product discovery, development and manufacturing cycle. Led by our chief executive officer Dr. Yu Alex ZHANG, our senior management team brings extensive experience in research and development, quality control, manufacturing and regulatory affairs from academia, governmental agencies and multinational pharmaceutical corporations to our Company. Members of our research and development team have cross-disciplinary expertise in a variety of fields, including chemistry, biology, pharmacology, toxicology, pharmacovigilance, regulatory affairs, translational and clinical research, and possess in-depth expertise in multiple cell therapy and disease areas. Our experienced leadership, top-tier research and development team and strong track record have enabled us to continue attracting and retaining highly talented professionals.

Building upon the progress we have made to date, we intend to rapidly advance the clinical development and commercialization of our lead product candidates. We have also dedicated resources in our research and development to expand our product portfolio with the goal of broadening indication coverage of existing product candidates and exploring other functional cells with promising therapeutic and commercial potentials. These efforts taken together will help further solidify our franchise as a leading cell therapy platform that impacts patients in China and globally with our innovative PSC-derived treatments for a broad range of medical conditions.

OUR STRENGTHS

Leading PSC-Derived Therapeutic Solution Provider with Potentially First-in-kind Portfolio of "Off-the-shelf" and "Easy-to-use" Cell Therapy Products Addressing Medical Needs Unmet by Currently Available Treatment

We are the first company in China that has received IND clearances for PSC-derived cell therapy products and a globally leading developer of PSC-derived cell therapy products in terms of clinical development progress according to Frost & Sullivan. As of the Latest Practicable Date, we had developed a comprehensive portfolio of PSC-derived product candidates, including M cell therapy product targeting four indications that has advanced into Phase II clinical trials. Our product pipeline also covers therapeutic products utilizing other functional cells derived from PSCs, primarily mDAP cells and RPE cells, targeting Parkinson's diseases and retinal diseases respectively. As of the Latest Practicable Date, according to Frost & Sullivan, no innovative biologics have been approved for the treatment of all the indications targeted by our pipeline product candidates on a global scale.

As an early entrant in the field of PSC-derived therapies, we have dedicated to developing innovative and potentially first-in-kind PSC-derived cell therapy products that address not only medical needs that cannot be easily met by small molecule drugs and other types of biologics but also the major challenges currently faced by cell therapy product providers. Building upon PSCs' potential to self-renew and differentiate into a variety of precursor or mature cell types, allogeneic cell therapy products derived from PSCs can be readily available "off-the-shelf" and easy to use at lower costs for the treatment of a variety of medical conditions. The formulations and related technologies enable our productions of easy-to-use injectable products that are suitable for convenient transportation, long-term storage and immediate administration at hospitals upon physician prescription. Additionally, different from small molecule drugs and other biologics, stem cell-derived cell therapy products are not target specific and accordingly have therapeutic potentials for a broader range of indications. Despite the vast therapeutic potential of stem cell-derived cell therapy products, there are several major challenges in developing and manufacturing these therapeutic products and making them accessible to patients. For example, currently common and commercialized stem cell-derived products are oftentimes produced from cells isolated from somatic tissues, which are subject to great variations of the source tissues, limitation of donors, and risk of disease transmission from donors. These features lead to challenges in scalable production capacities, batch-to-batch consistency and safety concerns. In contrast, PSCs, including hESCs and iPSCs, are unlimited and stable sources with the potential to differentiate into any cell type in human bodies. As a result of such differences, PSC-derived products, such as our product candidates, have the advantages of scalability, consistency among batches and broader indication coverage.

Our integrated PROF platform has enabled us to streamline innovation and develop PSC-derived cell therapy products. By establishing and maintaining our own PSC seed platform, we have stable, standardized and adequate cell supplies for downstream functional cell development and production, which capabilities facilitate batch-to-batch consistency and enable industrial-scale productions. Leveraging our in-depth understanding of the biologic characteristics of PSCs such as greater expandability and potential for differentiation into a wider range of functional cells, we have designed an integrated and streamlined protocol to enable optimized conditions for cell expansion, directed differentiation and stable productions of therapeutically functional cells. Furthermore, we have standardized the key steps of our therapy production process, which further facilities batch-to-batch consistency and improves production efficiencies.

Our capabilities in cell therapy product development and production provide the infrastructure for continuous expansion of our product portfolio. Leveraging our integrated PROF platform, we are working on expanding the indication coverage of product candidates in our existing pipeline while exploring the therapeutic potentials of other function cells for indications that address significant unmet medical needs based on our ongoing survey of the global cell therapy product markets.

Our strength as a cell therapy product developer is also evident by our participation in the formulation of industry standards. As a key player in China's stem cell-derived cell therapy industry, we have also been actively making contributions to the advancement of stem cell industry standardization since our inception. We have been involved in formulating the first national standard for human stem cells, GB/T 42466 "Technical Specifications for Pluripotent Stem Cells Management of Biobanking" (《生物樣本庫多能幹細胞管理技術規範》), as well as five group standards, including T/CSCB 0009–2022 "Technical Specification for Ethics Review of Human Stem Cell Research" (《人類幹細胞研究倫理指南》), T/CSCB 0011–2022 "Human Midbrain Dopaminergic Progenitor" (《人中腦多巴胺能前體細胞》), T/CSCB 0012–2022 "Human Neural Stem Cell" (《人神經幹細胞》), T/CSCB 0015–2022 "General Requirements for Production of Extracellular Vesicles Derived from Human Stem Cells" (《人幹細胞來源細胞外囊泡通用要求》), and T/CSCB 0010–2022 "Human Natural Killer Cells" (《人自然殺傷細胞》).

Currently, three members of the Company are part of the Standard Committee of the Chinese Society for Cell Biology, with one member also serving as a registered expert on biotechnology at the ISO Technical Committee 276. As of the Latest Practicable Date, we contributed to 11 published papers related to stem cell-derived cell therapy standardization in international journals. We are currently engaged in establishing a new national standard, "Determination of Cell Viability – Acridine Orange/Propyl Iodide Staining Method" (《細胞存活率測定吖啶橙/碘化丙啶(AO/PI)染色法》). Within the Standard Committee of the Chinese Society for Cell Biology, we are leading the development of two group standards projects: "General Requirements on Detection of Residual Pluripotent Stem Cells – TaqMan Quantitative PCR Assay" (《分化細胞中多能幹細胞殘留TaqMan探針實時熒光定量PCR法檢測通則》) and "General Requirements on Fast Testing for Bacteria and Fungi in Cell Preparation – TaqMan Quantitative PCR Assay" (《細胞及培養試劑中細菌、真菌TaqMan探針熒光定量PCR法快速檢測通則》). Leveraging our experience in developing stem cell-derived cell therapy products, we will continue to support the establishment of the relevant national and international standards.

Our capabilities and strength have also been recognized by government authorities. During the Track Record Period, we received a number of government awards, including the National Hi-tech Enterprise, SRDI Small and Medium Enterprise and Model Entity of Intellectual Properties in Beijing, each an award issued by agencies of the Beijing city government.

China's First PSC-derived Functional Cell Therapy Product at Phase II Clinical Trials

According to Frost & Sullivan, we are one of the few biotech companies in China focusing on research and development of therapeutic products utilizing functional cells derived from PSCs. Among our PSC-derived product portfolio, we are currently prioritizing the development of our Core Product ZH901, an M cell therapy product.

Leveraging the hESC lines and the differentiation pathways originated from our Strategic Collaborators, we differentiate PSCs into desired functional cells, including M cells. M cells are functional cells derived from PSCs, free from contamination by other species or human cell types. They possess a normal human chromosomal karyotype, without mutations, deletions, or translocations. M cells significantly inhibit the proliferation of activated T cells in a dose-dependent manner and dose-dependently suppress the secretion of TNF-α and IFN-γ by activated T cells. They exhibit high expression of IDO-1 and PGE2 in inflammatory environments, effectively inhibiting the proliferation of activated T cells and the secretion of inflammatory cytokines by T cells and macrophages, which demonstrates their potent immunoregulatory function, thereby suppressing inflammation. In addition, PSC-derived ZH901 can potentially demonstrate enhanced druggability as compared to cell therapy products derived from somatic stem cells considering that ZH901 is directly derived from PSCs, which have unlimited replication capability, enabling scalable cultivation and consistent batch-to-batch quality.

Currently, ZH901 is the only cell therapy product derived from ESCs in China that entered clinical trials conducting safety and efficacy evaluation. We have completed research on the preparation formulation of ZH901, as well as procedures for cell preservation and rapid cell thawing. As of the Latest Practicable Date, ZH901 was being investigated for four indications in Phase II clinical trials, including AE-ILD, aGVHD, meniscus injuries and ARDS. This development status positions us as a leading player in the field of PSC-derived cell therapy in China as measured by clinical development progress according to Frost & Sullivan. As of the Latest Practicable Date, approximately 100 patients had received ZH901 treatment in six clinical trials either via intravenous infusion or intra-articular knee joint administration. None of them experienced any SAEs caused by ZH901, and Grade 1 or 2 AEs possibly related to ZH901 according to the investigator can be resolved without special medical intervention, indicating that ZH901 was well tolerated and had a promising safety profile. Furthermore, our previous studies with ZH901 have shown promising results in improving ARDS and pulmonary fibrosis caused by coronavirus infections, laying a solid foundation for further research, production, and exploration into other potential indications for ZH901.

Acute Exacerbation of Interstitial Lung Disease/AE-ILD

AE-ILD is characterized by the sudden onset of diffuse lung injury superimposed on the chronic pulmonary fibrotic changes of ILD, leading to acute exacerbation of respiratory dysfunction or respiratory failure, and even death. According to Frost & Sullivan, AE-ILD is a medical condition of high incidence without effective treatment. Current treatments primarily focus on oxygen therapy. Medications such as corticosteroids, immunosuppressive agents and broad-spectrum antibiotics are also used, but they lack clear clinical benefits.

M cells possess strong immunoregulatory functions, exhibiting high expression of factors, such as IDO-1 and PGE2, through paracrine mechanisms and interaction between cells. They can effectively suppress the proliferation of activated T cells and the secretion of inflammatory factors by T cells and macrophages, indicating their potent immunoregulatory capabilities. Consequently, they can dampen inflammation, optimize the lung microenvironment, effectively alleviate lung injury and collagen deposition. As a result, M cells are a promising candidate for the treatment of AE-ILD, as they facilitate lung tissue repair, reverse lung tissue remodeling, and improve pulmonary compliance and gas exchange.

ZH901 was the only PSC-derived cell therapy product candidate for AE-ILD as of the Latest Practicable Date according to Frost & Sullivan. ZH901 targets both the pathological and physiological aspects of AE-ILD, effectively addressing pulmonary inflammation and fibrosis, promoting lung tissue repair. As of the Latest Practicable Date, more than 30 patients had been enrolled in the Phase II clinical trial and no treatment-drug related SAEs were observed. In the Phase I/II clinical trial of ZH901, we observed encouraging efficacy in patients with ARDS caused by COVID-19. Compared to the placebo group, the treatment group showed more rapid and better improvements in short-term efficacy indicators such as FiO_2 and oxygenation index (PaO_2/FiO_2), as well as in long-term efficacy indicators such as pulmonary diffusion function (DLCO%). Similarly, in the Phase II clinical trial of ZH901 for pulmonary fibrosis caused by COVID-19, we observed encouraging efficacy. After receiving ZH901, patients in the treatment group demonstrated various degrees of improvements compared to the placebo group in pulmonary ventilation function (FVC), aerobic capacity (6-MWT), exercise endurance (SGRQ score), and shortness of breath (SOBQ score). Considering that AE-ILD is a medical condition of chronic pulmonary fibrosis combined with acute diffuse inflammatory pathological changes, the foregoing clinical results indicate promising efficacy of ZH901 injection for treating AE-ILD patients.

Graft-versus-host Disease/GVHD

GVHD is the most common life-threatening complication of allogeneic hematopoietic stem cell transplantation. The first-line treatment for aGVHD is glucocorticoids. However, the efficacy of glucocorticoids is less than 50%, with only one-third of effective patients experiencing sustained relief. Globally, ruxolitinib and allogeneic MSCs have been approved for the treatment of aGVHD. However, ruxolitinib's hematological toxicity often leads to treatment interruption, while allogeneic MSCs have batch-to-batch efficacy instability due to differences between donors. As of the Latest Practicable Date, there were no innovative biologics available in China for the treatment of aGVHD. Therefore, an urgent need exists for long-term unmet clinical demands in aGVHD.

As the only PSC-derived cell therapy product candidate for aGVHD as of the Latest Practicable Date, ZH901 has the potential to address the unmet medical needs in aGVHD. As of the Latest Practicable Date, a total of 12 patients have been enrolled in the Phase II clinical trial of ZH901 for the treatment of aGVHD. Among these patients, the ORR at day 28 post-first infusion was 77.78%. No patients had infusion-related AEs and no SAEs.

Meniscus Injuries

Meniscus injuries are characterized by joint pain, swelling, and restricted knee joint mobility. According to Frost & Sullivan, the prevalence of meniscus injuries in China is approximately 8 to 12%. The prevalence of meniscus injury in China reached 182.7 million in 2023. As of the Latest Practicable Date, there were no innovative drugs for meniscus injuries, and the conventional treatments offered in clinical practice only provide temporary symptom relief without halting disease progression. Therefore, there is an urgent medical need for innovative drugs that can promote meniscus injury repair.

ZH901 has the potential to address this market gap. Through local injection into the knee joint cavity, ZH901 secretes cytokines with immunoregulatory functions to suppress inflammation, as well as growth factors that stimulate cell growth, thereby increasing the number of newly generated meniscal chondrocytes to promote healing. ZH901 can express high levels of anti-inflammatory factors, such as IDO-1, and PGE2, while also inhibiting the secretion of pro-inflammatory factors. The IIT in China for patients with meniscus injuries was completed in December 2020. According to the results of the IIT, significant improvements were observed in VAS pain scores after treatment with ZH901. Lysholm scores and AKS scores showed an upward trend, with improvements observed in both the medium-dose and the high-dose groups. Furthermore, the WOMAC scores demonstrated improvements in pain, knee joint stiffness, and knee joint function with the medium dose of ZH901. MRI results during follow-up showed that the meniscus injury signals in some patients weakened or completely disappeared compared to pre-treatment scans. As of the Latest Practicable Date, ZH901 was in Phase I/II clinical stage for treating meniscus injuries.

Acute Respiratory Distress Syndrome/ARDS

ARDS is a destructive disease characterized by acute, diffuse, inflammatory lung injury. ARDS onset is rapid, with a high mortality rate, necessitating intervention for all patients. The current treatment approach primarily involves mechanical ventilation. Commonly used medications include corticosteroids, pulmonary surfactants, N-acetylcysteine, statins, and β-agonists. However, these treatments not only have limited efficacy but also may lead to fatal adverse events.

ZH901 offers an effective therapeutic approach for addressing the pathophysiology of ARDS, resolving the issues of the inflammatory cytokine storm and lung injury, promoting lung tissue repair, reducing mortality, and improving the quality of life for survivors. M cells are predominantly accumulated in the lungs through blood circulation upon intravenous infusion into the circulatory system. These cells secrete cytokines with immunoregulatory functions that suppress inflammation, facilitating the improvement of the pulmonary tissue microenvironment and clearance of alveolar edema fluid, contributing to the repair of lung tissues before scar formation occurs and thereby improving pulmonary

oxygenation function. Results of our Phase I/II clinical trial indicated that, compared to the placebo group, the ZH901 treatment group demonstrated earlier and significant reductions in oxygen concentration requirements, earlier improvement in oxygenation function, and a shortened duration of organ failure, thereby alleviating the severity of the condition more quickly. Long-term prognosis indicators also demonstrated a more significant improvement in pulmonary ventilation and gas exchange function parameters with M cell therapy product treatment.

Summary of M Cell Therapeutic Potentials

Given M cells' immunomodulatory effects and potential for promoting injury repair, the applications of ZH901 expand far beyond the indications currently in clinical trials. Through foundational research and IITs on ZH901, we have already identified significant therapeutic potential in areas including primary ovarian insufficiency and thin endometrium. Building upon the mechanism of action of M cell therapy product and leveraging our capabilities in cell therapy product development and production, we intend to fully explore the therapeutic potential of ZH901 and build a scalable M cell therapy franchise that address unmet medical needs in a broader range of conditions.

Differentiated and Comprehensive PSC-derived Cell Therapy Product Pipeline with Continuous Expansion into Additional Therapeutic Products Utilizing Other Functional Cells

Since our inception, we have dedicated to developing PSC-derived cell therapy products with a current focus on hESC-derived therapeutic products. Our current pipeline consists of a differentiated product portfolio utilizing four functional cells for the treatment of a variety of medical conditions. Among our pipeline, our Core Product ZH901, a M cell-derived therapy, is at the most advanced development stage. We chose to explore ZH901 as the first candidate for our PSC-derived product portfolio, and successfully validated the differentiation pathway of PSCs based on their cellular characteristics. Starting from M cells, which exert their therapeutic effects by regulating the immune system, we have been investigating the safety and efficacy of functional cells derived from PSCs in indications where innovative therapeutic products are urgently needed. At the same time, we leverage the potential of PSCs to differentiate into various human cell types, aiming to realize the unique advantage of stem cell-derived cell therapy product – cell replacement. We are developing products utilizing different functional cells through the differentiation of PSCs to meet various clinical treatment needs. To this end, as of the Latest Practicable Date, we were conducting clinical development of cell therapy products, namely ZH901, ZH903, ZH902 and ZH906, utilizing four types of functional cells: M cells, mDAP cells, RPE cells, and CEnCs, respectively. ZH901 has received IND approvals from the NMPA and is currently in Phase II clinical trials for four indications.

We have developed ZH903, our Key Product, an mDAP cell therapy product for treating Parkinson's disease currently under an IIT. ZH903 has demonstrated preliminary safety and efficacy in a pre-clinical study. According to *in vivo* experimental data from a monkey model of Parkinson's disease, our mDAP cells were well tolerated post-transplantation in animals, with no tumorigenesis or other serious adverse reactions. Furthermore, these cells have effectively ameliorated symptoms in some Parkinsonian

animals. An ongoing IIT of ZH903 striatal transplantation in approximately 20 enrolled patients has shown a lack of severe adverse reactions, including bleeding or tumorigenesis, with most patients experiencing improvements in motor function, alleviation of non-motor symptoms, extension of on-time duration, and enhancements in sleep and quality of life.

ZH902, our Key Product, is an RPE cell-based therapy we have developed targeting dry AMD. ZH902 is currently in IITs and has demonstrated preliminary safety and efficacy in studies as of date. According to *in vitro* studies, RPE cells can release neurotrophic factors to restore the phagocytosis, barrier, and transport functions of the RPE monolayer, and maintain the visual cycle. According to the results of an ongoing IIT, after a follow-up period of at least one year, ZH902 has shown encouraging safety and tolerability for the treatment of dry AMD. Certain patients experienced improvements in vision or an increase in retinal and choroidal thickness. Long-term survival of the transplanted cells was observed in all patients who received the transplantation.

ZH906, our hESC-derived corneal endothelial cell therapy product, is at pre-clinical stage. We have been continuously optimizing the differentiation route for corneal endothelial cells and successfully obtained the candidate CEnCs with high purity. Through *in vitro* studies, ZH906 has been identified to possess barrier function and ion pump function based on positive ZO-1 marker and positive ATPase marker, respectively. We have also tested the transplant therapeutic effect of ZH906 in an animal study, which indicated encouraging efficacy profile of this product candidate.

Proprietary and Fully Integrated Technology Platforms and Underlying Core Technologies Supporting the Continuous Development of Cell Therapy Product Pipeline

Our R&D capabilities are best evident by PROF, our proprietary and fully-integrated translational medicine platform. In the absence of precedents to draw upon, we independently developed and successfully achieved industrial-scale production of functional cells derived from hESCs. The PROF platform covers the entire development process, enabling the transition of cell-based therapies from the bench to the bedside.

The platform comprises three platforms, namely PROF-seed, PROF-function, and PROF-formulator. In particular, leveraging the hESC lines obtained from the National Stem Cell Resource Center and building upon human PSCs' capability of unlimited proliferation, our PROF-seed platform provides the technological infrastructure for bulk production of human PSCs in a streamlined process, thereby ensuring adequate and stable supply of cell seeds for downstream functional cell screening and formulation development and production. Following an indication-oriented approach, we select candidate functional cells with therapeutic potential for treating the target indications on the PROF-function platform based on the functional cells' respective biologic characteristics and mechanisms of action. We design directed differentiation pathways for hESCs into the selected functional cells. Leveraging our PROF-formulator platform, we design and adjust the components of excipients and functional cells based on the intended use, storage conditions, and route of administration for each type of functional cells, to develop product

formulations specifically tailored for each type of functional cells. We have also developed automatic temperature-controlled rate-freezing technologies to ensure the vitality of functional cells post-thawing. The formulations and related technologies enable our productions of easy-to-use injectable products that are suitable for convenient transportation, long-term storage and immediate administration at hospitals upon physician prescription.

The advancement of our platforms is attributed to our four core independently developed core technologies and pioneering evaluation systems.

- ***Establishment and Expansion of the hESC Lines***

We have obtained two hESC lines from the National Stem Cell Resource Center, ensuring clear and traceable sources of hESC lines that comply with human genetic resource management and ethical regulations. Under GMP standards, the hESC lines are extensively expanded using scale-out technology to obtain homogeneous and robust master cell bank and working cell bank.

Although hESCs possess strong self-renewal capabilities and have been widely used in research for many years, they are highly sensitive to environmental disturbances *in vitro*. This sensitivity poses technical challenges in terms of cell survival rates, stable growth, and maintenance of differentiation capabilities, all of which affects the likelihood of successful industrial translation. Through technical optimization, we have established a hESC cell expansion system with high viability, stable passage, and maintenance of pluripotency, reducing the sensitivity of cells to environmental stimuli. These features lay the foundation for the efficient and safe use of hESCs, ensuring consistent sourcing and controllable quality of cell products.

- ***Directed Differentiation Technology***

Leveraging omics-based directed differentiation technology, we have mastered precise and dynamic control over the induction factors, timing, and trajectory essential for the differentiation of functional cells. This approach effectively enhances differentiation efficiency and ensures robustness across batches. We have already successfully differentiated high-purity functional cells from hESCs and are currently undergoing various pre-clinical and clinical studies of these different cell types.

Differentiation technology fundamentally mimics the natural developmental process of the human body. By understanding the histology and molecular developmental mechanisms of various embryonic layers and different functional cells, we design differentiation pathways. Through extensive screening studies and druggability evaluations, we obtain candidate cells with high differentiation efficiency, homogeneity and functionality. Subsequently, we determine growth factors and/or chemical small molecule cocktails for differentiation. Our directed differentiation technology targets utilizing serum-free and feeder-free cell differentiation systems, and clearly-defined chemical small molecules or protein growth factors. This approach ensures consistency across batches and prioritizes safety in quality control. By tracking the differentiation process and trajectory, we implement precise control to ensure the robust transfer of the differentiation technology from laboratory scale to GMP-compliant scale production. This facilitates the stable and continuous supply of cell products in the commercialization phase.

- ***Scale-Out Based Functional Cell Expansion Technology***

Our functional cell expansion technology ensures scalable and highly consistent cell culture, making it easy to efficiently scale-out for different requirements without any technical issues. Our scale-out approach relies on the multiplication of conventional two-dimensional vessels and monolayer cell culture to increase cell numbers, which offers several advantages for functional cell differentiation and expansion. Firstly, the use of small molecules and growth factors for uniform treatment facilitates targeted differentiation into cell types required for downstream applications. Monolayer cell culture also enables simplistic and more thorough medium exchange without inducing shear stress from agitation generated by suspending cultured cells. In addition, monolayer cell culture allows researchers to easily assess the health status of cells as hESCs differentiate and expand towards functional cells by observing cell morphology.

As part of our scale-out technology-strategy, we have implemented an integrated manufacturing system ("**IMS**"), which is capable of real-time observation of cell morphology and monitoring of cell growth and proliferation. The IMS integrates a valve pipeline gas distribution system, an online culture environment monitoring system, as well as data collection, storage, output, and control functionalities, effectively managing the entire cell culture cycle. The IMS culture system features a modular design, allowing for easy expansion and scalability across multiple batches to meet varying throughput requirements. The IMS provides a relatively homogeneous culture environment, avoids cellular heterogeneity and aberrant differentiation. Under this system, it is easy for cells to expand in parallel.

- ***Formulation Development Technology***

In addressing the common limitations of cell products, such as compromised stability post-cryopreservation, reduced cell viability, restricted shelf life, and failure to meet expected biological functionalities, we have independently developed formulation development technology tailored for functional cells. We have established a formulation combination library for off-the-shelf cell formulations, allowing researchers to conduct standardized excipient screening according to common SOP. This enables effective sharing of data on specific excipient, significantly enhancing research efficiency and data accuracy. We have applied this technology in the development of multiple cell products. Cells can be stably preserved for at least three years in vapor phase liquid nitrogen, effectively addressing the short shelf-life issue of cell products. Examples include cryopreservation formulations for M cells and RPE cells. Additionally, we have developed a standardized process for selecting packaging systems and implemented high-precision filling and automatic temperature-controlled rate cooling techniques, further ensuring that cell products are easy to store and transport.

- ***Analytical Science and Development Technology Evaluation System***

We have pioneered and established a quality evaluation system for PSCs, including pluripotency, stemness and genetic stability, providing standards for the quality assessment of hESCs and iPSCs. Our quality evaluation system for functional cell products follows the principles of QbD. Building upon the scientific knowledge of and quality risk assessment expertise of our team members, we determine the critical quality attributes and related evaluation methods of cell therapy products. It fully complies with the requirements of ICH guidelines for analytical methods, ensuring the development and application

of classical or advanced analytical techniques and tools in the early screening of functional cells, the developability assessment of pre-clinical candidate cells, and the development, scale-out, and commercial-scale manufacturing of CMC processes throughout their lifecycle. This evaluation system obtained CNAS certification in early 2023. Currently, we have shared our experience with the industry, participating in and leading the establishment of a series of group standards, national standards and international standards for stem cells.

Equipped by the above technologies, our PROF platform has a number of key capabilities, including the ability to efficiently differentiate functional cells and effectively addressing common challenges associated with cell therapy products; comprehensive safety risk control measures to prevent the generation of unintended cells and residual source cells; scalable process pathways ensuring consistency between product batches; systematic and integrated druggability evaluation techniques and processes during pre-clinical and clinical development; and seamless connectivity and technology transfer across the entire CMC chain, facilitating efficient collaboration and accelerating product development for commercialization. These features provide the technological infrastructure not only for the continuous development of our current product pipeline but also the expansion of our portfolio to therapies utilizing other functional cells, thereby contributing to our competitive strength as a leading cell therapy product provider.

Integrated and Streamlined Production Process and GMP-Compliant Manufacturing Facilities with Industrial-Scale Production Capabilities and Comprehensive Quality Control Protocols

We have internally designed and implemented an integrated and streamlined production process of PSC-derived cell therapy products with a current focus on productions for the clinical development of hESC-derived cell therapy products. We have established a streamlined production line for PSC-derived M cell therapy products. Our manufacturing processes feature fully integrated in-house capabilities that cover all stages of PSC-derived cell therapy manufacturing, including cell bank establishment, cell culture, differentiation and harvesting, formulations, filling and cryopreservation. Leveraging our PROF technology platform and through the implementation of critical quality attributes and in-process control, we have developed the capabilities to overcome the challenges of existing cell therapy products by producing therapeutic products with batch-to-batch consistency at industrial-scale.

We manage our Beijing Facility with a total GFA of approximately 2,400 sq.m. with a manufacturing capacity of approximately 35,000 injectable cell therapy products every year, which can adequately support our ongoing clinical development and early commercialization. Our manufacturing facilities feature GMP-complaint production lines in line with international standards and Grade B+A cleanrooms, which practice aligns with the customary industry standards for quality assurance associated with cell therapy product production. To achieve more stable environmental conditions and lower levels of contamination, we are also in the process of building a fully isolated system at our Beijing facility, which better aligns with the ATMP practice. Our transition from cleanrooms to the fully isolated system is anticipated to complete in the first half of 2025.

In line with international quality control standards, we have also established an integrated quality control system and implemented such system to all aspects of our operations, spanning drug development, raw material selection and supply chain management, product manufacturing, product testing to clinical trial management. The quality control protocols for each of these operating aspects have been memorialized in our SOP. Our dedicated Quality Control and Assurance team, currently consisting of 23 members, is responsible for overseeing the implementation of our SOP and proposing improvements based on our periodic internal audit and observations of market practice.

By leveraging our strong manufacturing know-how and internalizing the entire manufacturing process, we are able to meet rigorous quality standards, shorten the process time, improve the yield, eliminate added expenses incurred by third parties, and reduce the overall costs of PSC-derived cell therapy product manufacturing. We believe that our full suite manufacturing capability will enable us to offer more affordable cell therapy products to patients in China and globally.

Furthermore, given our industrial-scale manufacturing capabilities and with the combination of a rich product pipeline and a large addressable market, we expect to derive significant associated economies of scale, which will enable us to further reduce our production cost. In order to cater to the anticipated significant market demand for our product candidates, we will also plan for further expansion of our production facility with enhanced manufacturing capacity.

Experienced Senior Management Team and Strong Shareholder Support

We have assembled an experienced management team comprised of well-known academic professionals and seasoned industry veterans that collectively cover every step of our product discovery and development cycle. Led by our chief executive officer Dr. Yu Alex ZHANG, our senior management team has deep experience in the biopharmaceutical field and brings to our Company extensive experience from academia, governmental institutions and pharmaceutical companies and a proven track record leading the R&D, manufacturing and regulatory affairs of innovative drugs. We believe our management's complementary expertise in industry, government agencies and academia differentiate us from and will continue to propel us ahead of our peers.

Dr. Yu Alex ZHANG, our chief executive officer, is one of the leading researchers and an industry veteran in the field of cell therapy. He is also an expert on the Standards Committee of the China Society of Cell Biology. Previously, Dr. Zhang held key positions such as the Head of China's R&D at Sanofi, the chief scientific officer of the Asia Pacific Hub of Sanofi, and a professor and director of the Cell Therapy Center of Xuanwu Hospital of the Capital Medical University (首都醫科大學宣武醫院). He also served as an expert to the 863 Program of "stem cell and tissue engineering" in the Eleventh Five-Year Plan ("十一五"計劃), the project leader of a 973 Program of "basics and clinical application of directed differentiation of stem cells"of the PRC Ministry of Science and Technology, and an expert committee of a National Key Technologies R&D Program of China.

Dr. JIA Yi serves as our chief medical officer. With over 20 years of experience in clinical practice and the pharmaceutical industry, Dr. Jia brings a wealth of expertise to our organization. He spent nearly a decade as a surgeon at prestigious institutions, including Shanghai Huadong Hospital (上海華東醫院) and Peking Union Medical College Hospital (北京協和醫學院), where he contributed to multiple research projects in organ simulation and regenerative technologies. Transitioning to the biopharmaceutical sector, Dr. Jia served as an research expert at leading companies including Bayer and Ferring China, and as head of Clinical Development at Allergan. He previously participated in or led a number of government-sponsored innovative drug research programs, including a key project of the PRC Ministry of Science and Technology, one project of the CAS and one emergency project of the PRC Ministry of Science and Technology.

Dr. ZHOU Liang, our scientific advisor, brings over 30 years of experience in pharmaceutical scientific research. Dr. Zhou's extensive background includes 22 years at the FDA, where he served as a senior reviewer and team leader at the CBER and the Office of Pharmaceutical Quality. Following his tenure at the FDA, he served as a vice president for pharmaceutical affair at Qilu Pharmaceuticals in China.

Dr. LUO Yi, our chief technology officer and our scientific advisor, brings over 20 years of experience in the biopharmaceutical field. His expertise lies particularly in pharmaceutical preparations, processes, and production following the approach of QbD. He held positions at renowned pharmaceutical companies, including Vertex Pharmaceuticals and Teva.

Our leadership team is supported by a deep talent pool consisting of team members in various functions. Ms. GAN Yidi, head of our R&D department, has over 10 years of experience in the research and development of biologics gained through her tenures at both publicly listed pharmaceutical companies and our Company. She is familiar with developing and implementing CMC strategies for biologics development. Dr. LI Zheng, head of our Production department, has over 15 years of experience in project management for drug development from both academia and multinational pharmaceutical corporations. Ms. WEI Jun, head of our Quality Control department, has over 35 years of experience in quality control associated with clinical development and drug production through her tenure as a physician and as an executive at biotech companies. Dr. Shuyan Wang, head of our Cell Formulation department, is a leading researcher in the field of cell differentiation and functional cell development and has published over 20 peer-reviewed scientific papers in renowned scientific journals. These team members also serve as the foundation for our continuous innovation. Through our internal management system, key members of each function play an instrumental role in coordinating and overseeing our drug development plans to ensure their smooth execution and improve operational efficiency.

Since our establishment, we have received investments and support from a number of government or large state-owned enterprise-backed institutional investors. We believe this sophisticated investor base is a testament to our capabilities and prospects.

OUR STRATEGIES

We intend to capitalize on the progress made with our existing pipeline and platform technologies through the following strategies with an aim to bring innovative and differentiated cell therapy products for patients worldwide.

Rapidly Advance the Clinical Development of ZH901, our M Cell Therapy Product, as Potentially First-in-kind PSC-Derived Cell Therapy Product

We plan to advance the clinical development of our therapeutic assets with the overall goal to apply for regulatory approvals and initiate product launch at the earliest time practicable. Considering the current clinical status of each asset in our pipeline, we have designed a tailored development plan for our candidates with specific next steps and corresponding estimate timeline. Our near-term geographic focus will be China with long-term clinical development strategies for major international markets.

With the promising safety and efficacy results observed in clinical trials to date on ZH901 for the treatment of AE-ILD, aGVHD, meniscus injuries and ARDS, we intend to expedite our clinical development of ZH901 for these indications.

We have launched a Phase II trial of ZH901 for the treatment of AE-ILD in August 2023. We anticipate to complete subject enrollment for our Phase II trial in the first half of 2025 and launch a Phase III trial upon further consultation with the CDE in 2025. We have launched a Phase II trial of M cell therapy product for the treatment of aGVHD in September 2023. We anticipate to obtain the trial data for Phase II trial and proceed to Phase III trial in 2025 upon further consultation with the CDE.

We have launched a Phase I/II trial of ZH901 for the treatment of meniscus injuries in China in March 2022. We anticipate to launch a Phase II/III trial in 2025 upon further consultation with the CDE. We have launched a Phase II trial of ZH901 for the treatment of ARDS in July 2022. We anticipate to complete the trial in 2026.

For studies of ZH901 at earlier stages of development, we will allocate resources to advance each program to the next milestone. We have obtained preliminary safety and efficacy data in IITs of ZH901 for the treatment of primary ovarian insufficiency and thin endometrium. Leveraging discoveries from our studies as of date, we plan to conduct additional studies to better understand the safety and efficacy profiles of ZH901 for treating these indications and evaluate the feasibility of IND applications with the NMPA.

Beyond the above clinical development plans in China, we intend to implement clinical development strategies for our M cell therapy product in other major markets such as the United States and the European Union. We will seek to leverage existing clinical data for cost-efficiency purposes and conduct additional studies required under local regulatory framework for each international market. We believe that the global scope of our clinical development with tailored strategies for each local market will help maximize the commercial potential of our M cell therapy product and better serve the medical needs of patients globally for affordable cell therapy products.

Expand Indication Coverage of M Cell Therapy Product

In order to fully explore the therapeutic and commercial potentials of our M cell therapy product, we intend to expand the clinical applications of our M cell product candidate through indication expansion. As an allogeneic PSC-derived therapy, our M cell therapy product is not target specific. Such feature, in combination with our capabilities in industrial-scale production while maintaining batch-to-batch consistency, enable applications of M cell therapy product to a broad range of indications. Our expansion efforts on this front will largely be based on the medical needs and commercial potential associated with each specific indication. We plan to strategically focus on conditions with significant unmet medical needs without effective current treatment, particularly indications for which the target is yet to be discovered. Based on observed reduced inflammation, tissue repair promotion and regeneration of M cells, we intend to conduct pre-clinical studies on the application of our M cell therapy product for the treatment of a number of other indications such as inflammatory bowel disease, refractory wound, psoriasis, lupus nephritis and cachexia.

Continue to Explore Therapeutic Potentials of Other Functional Cells in Our Existing Pipeline

In addition to our clinical development of M cell therapy product, we will continue to expand and diversify our PSC-derived cell therapy product portfolio by advancing the development of therapeutic products based on other functional cells. Our near-term development activities will be focused on our Key Products.

Pre-clinical studies on ZH903, an mDAP cell therapy product, for the treatment of Parkinson's disease have shown promising signs of safety and efficacy. In pre-clinical studies conducted as of date, mDAP cells labeled with iron oxide nanoparticles were detectable in all brains that received transplant. The integration of graft cells into the recipient brain was observed and the presence of DA neurons were also detected in the grafts. The locomotive performance rating scores improved post-transplant and there were no graft-derived overgrowths, or signs of other tumor formation observed. ZH903 is currently under IITs for the treatment of Parkinson's disease and we anticipate that the IND application for this drug candidate will be submitted in 2026.

With respect to ZH902, pre-clinical studies on RPE cells for the treatment of dry AMD indicated that RPE cells can replace dysfunctional and lost cells in RPE, leading to promising efficacy in treating dry AMD. In addition, eyes with RPE cell transplants maintained a significantly thicker outer nuclear layer. ZH902 is currently under IITs for the treatment of dry AMD. Based on progress made as of date, we anticipate that the IND application for dry AMD will be submitted in 2026.

In addition to our development efforts on ZH903 and ZH902, we are also advancing the pre-clinical studies on CEnCs-based cell therapy products for the treatment of corneal endothelium decompensation. In our studies conducted as of date, we have successfully obtained candidate CEnCs with high purity and developed an understanding of their differentiation route. We have also tested and preliminarily verified the transplant therapeutic effect of CEnCs-based cell therapy products in an animal study. Our next step is to further optimize the differentiation programs and investigate the *in vivo* safety and efficacy of CEnCs-based cell therapy products for the treatment of corneal endothelium decompensation.

Follow an Indication-Oriented Approach to Explore Therapeutic Potentials of Functional Cells Beyond Our Current Pipeline

Given the directed differentiation potentials of PSCs, particularly hESCs, into a variety of functional cells, we plan to further expand our product portfolio by exploring the therapeutic and commercial potentials of other functional cells. Guided by our indication-oriented approach, we will prioritize functional cells with the potential to treat indications with significant unmet medical needs. Our technological capabilities, consisting of integrated platforms and technological know-hows, will provide the infrastructure for such pipeline expansion in an efficient manner. All our products developed to date have originated from our proprietary research and development platforms. Modeling from our development experience with M cell therapy product and other product candidates in our existing pipeline, we plan to continue leveraging our platforms and our in-depth expertise to explore the potentials of other functional cells with Purkinje cells and pancreatic β cells being our near-term priorities.

Based on studies conducted as of date, Purkinje cells have demonstrated promising therapeutic potentials for various neurological disorders, particularly those involving dysfunction or degeneration of the cerebellum. Diseases that could potentially be treated with Purkinje cell therapy products include cerebellar ataxias, spinocerebellar ataxias, cerebellar hypoplasia and cerebellar stroke. Pancreatic β cells have demonstrated promising therapeutic potentials for the treatment of insulin deficiency or dysfunction, particularly those involving diabetes mellitus. We are currently exploring the respective differentiation path of Purkinje cells and pancreatic β cells via our PROF platform. Leveraging cell storage on our PROF-seed platform and our development experience on PROF-function and PROF-formulation platforms for our ongoing pipeline, we plan to conduct targeted research and development for therapeutic products derived from these two functional cells, focusing on key aspects such as programmed differentiation for functional cells, selection of formulation excipients, implantation methods, cell dosage and identification of highly responsive patient populations. These development efforts will help continuously enrich our product portfolio and solidify our competitive strengths as a cell therapy product provider.

Build Full-Scale Manufacturing and Commercialization Capabilities

Beyond the development of our product candidates, we plan to expand our manufacturing and commercialization capabilities to effectively and efficiently bring our product candidates, once they are approved for marketing, to patients around the world.

In preparation for the commercialization of our products, we plan to scale up our manufacturing facilities not only to support the anticipated demand but also to achieve further cost efficiency through economies of scale. We will upgrade the Beijing facility to meet the evolving regulatory requirements and industry standards with a near-term priority on the transition from a cleanroom practice to a fully isolated system for better quality assurance in connection with production for our clinical development. We are also planning a new manufacturing facility in Zhongshan, Guangdong Province, to support commercial production. As of the Latest Practicable Date, we were formulating the construction plans for the Zhongshan facility and anticipate to commence construction by the end of 2024. If needs arise, we will deploy our manufacturing facilities in China as the global manufacturing base to support our clinical trials and future product development and commercialization overseas.

Based on the expected approval timeline of our late-stage product candidates in the pipeline, we aim to build a sales and marketing team at least six months ahead of our anticipated commercialization. We expect to adopt a region-by-region marketing and sales strategy by considering each region's regulatory framework and market condition. In China, we intend to build up a dedicated sales and marketing team with a focus on key Class III Grade A hospitals in tier one cities and selected tier two cities across China. In connection with the progress of our clinical development and commercialization for international markets, we will build out our sales and marketing force to cover other key markets such as the United States and Europe. During the initial phase of our global expansion outside of China, we may consider collaborating with local partners to ensure access to all the top-tier medical institutions in the region. Our sales and marketing team will also introduce a tailored product education curriculum, where medical professionals can learn how to properly administer and monitor our treatments, while promoting awareness of our brand within the scientific and medical communities as a leading, innovative company that produces quality PSC-derived therapeutic products. We will also explore potential medical and commercial insurance coverage on our products in China and other major markets to provide affordable cell therapy products to patients.

Expand International Footprints by Advancing the Clinical Development of Our Product Candidates in Other Jurisdictions and Developing Tailored Commercialization Strategies

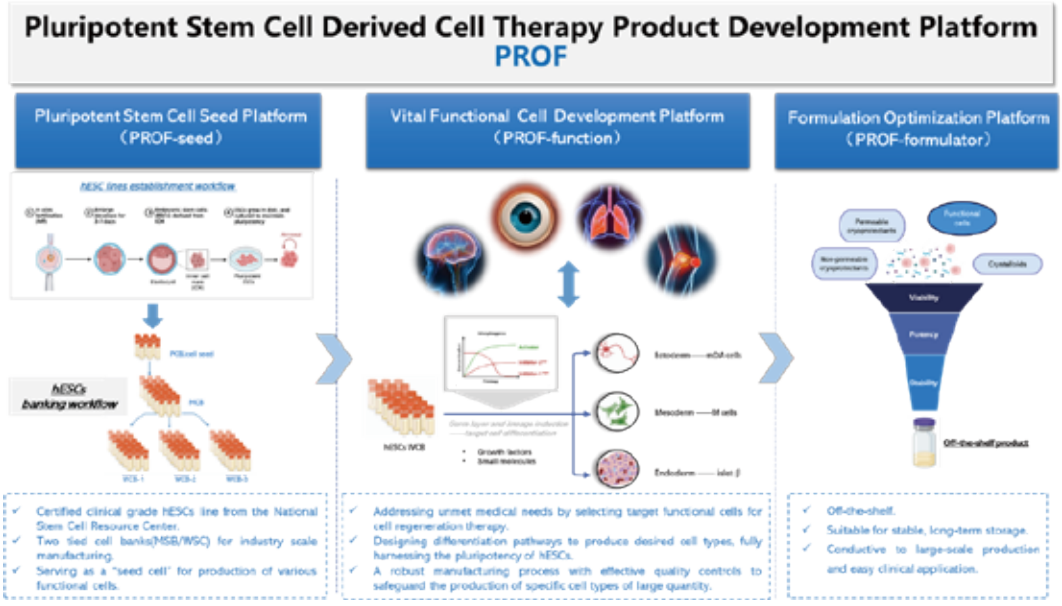
Leveraging the experience and background of our leadership and other team members in drug development, regulatory affairs and commercialization globally, we are also actively seeking to expand our global presence by bringing to the global market our innovative PSC-derived cell therapy products. Considering our team's experience with drug development and commercialization in the U.S. and in-depth knowledge of its regulatory framework, we plan to expand our clinical development footprint to the United States and customize the clinical development plan based on local market condition and regulatory framework.

We will execute a global registration strategy for our PSC-derived cell therapy products to seek regulatory approval of our drug candidates from major jurisdictions such as the United States, Japan, and the European Union and implement a corresponding global IP strategy seeking geographically adequate protections of technologies related to our products. In this regard, we have conducted a pre-IND submission with the U.S. FDA to explore the feasibility of seeking registration of ZH901 in the United States.

For overseas markets, we will formulate our international commercialization strategies according to local market conditions to quickly promote our products and benefit patients globally. We may also explore collaboration opportunities with local partners with in-depth market expertise and deep understanding of regulatory requirements of the relevant jurisdiction to facilitate the commercialization of our product candidates in international markets. These efforts will help us become a more established company providing cell therapy products to satisfy the unmet medical needs of patients globally.

OUR TECHNOLOGY PLATFORMS

Our R&D capabilities are best evident by our proprietary and fully integrated PROF platform. We independently developed and successfully achieved industrial-scale production of functional cells derived from PSCs. Our PROF platform covers the entire development process, enabling the transition of cell-based therapy products from the bench to the bedside. It comprises three independent but integrated platforms: PROF-seed, PROF-function and PROF-formulator.



Source: Company data

- ***PROF-seed.*** Building upon human PSCs' capability of unlimited proliferation, our PROF-seed platform provides the technological infrastructure for bulk production of human PSCs in a streamlined process, thereby ensuring adequate and stable supply of cell seeds for downstream functional cell development and formulation development and production. In particular, we obtained two hESC lines from the National Stem Cell Resource Center. Leveraging our propagation technology, we then established our master cell bank and working cell bank for downstream development and manufacturing of functional cells. The foregoing sourcing process not only ensures clear and traceable sources of hESC lines that comply with applicable human genetic resource management and ethical regulations but also lays the foundation for industrial-scale production of cell therapy products.

- ***PROF-function.*** Following an indication-oriented approach, we select candidate functional cells with therapeutic potential for treating the target indications based on the functional cells' respective biologic characteristics and mechanisms of action. We design PSC-derived cell therapy products tailored to the specific medical condition, leveraging our understanding of mechanisms of action of various functional cells such as modulating immune system, promoting cell growth or regeneration and replacing dysfunctional human cells. Building upon ESCs' ability to differentiate into all cell types in human body, and based on our

understanding of development biology, we design directed differentiation pathways for PSCs into the selected functional cells with optimal potential for disease treatment. Upon selecting the targeting functional cell type, we select the most suitable pathway with high potential for standardized production and optimize it into a manufacturing process that is suitable for large-scale production.

- ***PROF-formulator.*** In order to produce off-the-shelf allogeneic cell therapy products readily injectable into patients, functional cells generated from successful differentiation require further processing and formulation. Leveraging our PROF-formulator platform, we design and adjust the components of excipients and functional cells based on the intended use, storage conditions, and route of administration for each type of functional cells, to develop product formulations specifically tailored for each type of functional cells so that the selected functional cells can transform into easy-to-use injectable therapeutic products that are suitable for convenient transportation, long-term storage, and immediate administration at hospitals upon physician prescription. We have also developed automatic temperature-controlled rate-freezing technologies to ensure the vitality of functional cells after thawing from vapor phase liquid nitrogen preservation. Leveraging PROF-formulator, we had developed formulations for off-the-shelf allogeneic cell therapy products derived from M cells, mDAP cells and RPE cells as of the Latest Practicable Date.

The advancement of our platforms is attributed to our four independently developed core technologies and pioneering evaluation systems:

- ***Establishment and Expansion of the hESC Lines***

We have obtained two hESC lines from the National Stem Cell Resource Center, ensuring clear and traceable sources of hESC lines that comply with human genetic resource management and ethical regulations. Under GMP standards, the hESC lines are extensively expanded using scale-out technology to obtain homogeneous and robust master cell bank and working cell bank.

Although hESCs possess strong self-renewal capabilities and have been widely used in research for many years, they are highly sensitive to environmental disturbances *in vitro*. This sensitivity poses technical challenges in terms of cell survival rates, stable growth, and maintenance of differentiation capabilities, all of which affects the likelihood of successful industrial translation. Through technical optimization, we have established a hESC cell expansion system with high viability, stable passage, and maintenance of pluripotency, reducing the sensitivity of cells to environmental stimuli. These features lay the foundation for the efficient and safe use of hESCs, ensuring consistent sourcing and controllable quality of cell products.

- ***Directed Differentiation Technology***

Leveraging omics-based directed differentiation technology, we have mastered precise and dynamic control over the induction factors, timing, and trajectory essential for the differentiation of functional cells. This approach effectively enhances differentiation efficiency and ensures robustness across batches. We have already successfully differentiated high-purity functional cells from hESCs and are currently undergoing various pre-clinical and clinical studies of these different cell types.

Differentiation technology fundamentally mimics the natural developmental process of the human body. By understanding the histology and molecular developmental mechanisms of various embryonic layers and different functional cells, we design differentiation pathways. Through extensive screening studies and druggability evaluations, we obtain candidate cells with high differentiation efficiency, homogeneity and functionality. Subsequently, we determine growth factors and/or chemical small molecule cocktails for differentiation. Our directed differentiation technology targets utilizing serum-free and feeder-free cell differentiation systems, and clearly-defined chemical small molecules or protein growth factors. This approach ensures consistency across batches and prioritizes safety in quality control. By tracking the differentiation process and trajectory, we implement precise control to ensure the robust transfer of the differentiation technology from laboratory scale to GMP-compliant scale production. This facilitates the stable and continuous supply of cell products in the commercialization phase.

- ***Scale-Out Based Functional Cell Expansion Technology***

Our functional cell expansion technology ensures scalable and highly consistent cell culture, making it easy to efficiently scale-out for different requirements without any technical issues. Our scale-out approach relies on the multiplication of conventional two-dimensional vessels and monolayer cell culture to increase cell numbers, which offers several advantages for functional cell differentiation and expansion. Firstly, the use of small molecules and growth factors for uniform treatment facilitates targeted differentiation into cell types required for downstream applications. Monolayer cell culture also enables simplistic and more thorough medium exchange without inducing shear stress from agitation generated by suspending cultured cells. In addition, monolayer cell culture allows researchers to easily assess the health status of cells as hESCs differentiate and expand towards functional cells by observing cell morphology.

As part of our scale-out tech-strategy, we have implemented an integrated manufacturing system ("**IMS**"), which is capable of real-time observation of cell morphology and monitoring of cell growth and proliferation. The IMS integrates a valve pipeline gas distribution system, an online culture environment monitoring system, as well as data collection, storage, output, and control functionalities, effectively managing the entire cell culture cycle. The IMS culture system features a modular design, allowing for easy expansion and scalability across multiple batches to meet varying throughput requirements. The IMS provides a relatively homogeneous culture environment, avoids cellular heterogeneity and aberrant differentiation. Under this system, it is easy for cells to expand in parallel.

- ***Formulation Development Technology***

In addressing the common limitations of cell products, such as compromised stability post-cryopreservation, reduced cell viability, restricted shelf life, and failure to meet expected biological functionalities, we have independently developed formulation development technology tailored for functional cells. We have established a formulation combination library for off-the-shelf cell formulations, allowing researchers to conduct standardized excipient screening according to common SOP. This enables effective sharing of data on specific excipient, significantly enhancing research efficiency and data accuracy. We have applied this technology in the development of multiple cell products. Cells can be stably preserved for at least three years in vapor phase liquid nitrogen, effectively addressing the short shelf-life issue of cell products. Examples include cryopreservation formulations for M cells and RPE cells. Additionally, we have developed a standardized process for selecting packaging systems and implemented high-precision filling and automatic temperature-controlled rate cooling techniques, further ensuring that cell products are easy to store and transport.

- ***Analytical Science and Development Technology Evaluation System***

We have pioneered and established a quality evaluation system for PSCs, including pluripotency, stemness and genetic stability, providing standards for the quality assessment of hESCs and iPSCs. Our quality evaluation system for functional cell products follows the principles of QbD. Building upon the scientific knowledge of and quality risk assessment expertise of our team members, we determine the critical quality attributes and related evaluation methods of cell therapy products. It fully complies with the requirements of ICH guidelines for analytical methods, ensuring the development and application of classical or advanced analytical techniques and tools in the early screening of functional cells, the developability assessment of pre-clinical candidate cells, and the development, scale-out, and commercial-scale manufacturing of CMC processes throughout their lifecycle. This evaluation system obtained CNAS certification in early 2023. Currently, we have shared our experience with the industry, participating in and leading the establishment of a series of group standards, national standards and international standards for stem cells.

OUR PIPELINE PRODUCTS

According to Frost & Sullivan, we are a leading player in the field of PSC-derived cell therapy in China. Leveraging our proprietary technologies in key areas of cell therapy products development, such as cell bank establishment and maintenance, cell propagation, cell differentiation, functional cell development and cell therapy product formulation, we have developed a comprehensive and differentiated pipeline of four types of PSC-derived cell therapy products covering seven indications. As of the Latest Practicable Date, our Core Product Core Product ZH901 advanced into Phase II clinical stage for four indications, namely, AE-ILD, aGVHD, meniscus injuries and ARDS. Two other assets were under IITs in human and one asset was at the pre-clinical stage.

The following chart summarizes our pipeline and the development status of each product candidate as of the Latest Practicable Date.

	Drug Candidate	Indications[4] (Line of Treatment)	Status	Commercial Rights[1]	Upcoming Milestones
M Cell	ZH901[2,3] ★	AE-ILD	Pre-Clinical / Ph-I / Ph-II / Ph-III	Global	Phase III initiation in 2025
		aGVHD (2L)		Global	Phase III initiation in 2025
		Meniscus Injury		Global	Phase II/III initiation in 2025
		ARDS		Global	Complete Phase II in 2026
mDAP Cell	ZH903[2,3] ▲	Parkinson's Disease	*Under IIT*	Global	NMPA IND application in 2026
RPE Cell	ZH902[2,3] ▲	Dry AMD	*Under IIT*	Global	NMPA IND application in 2026
CEnC	ZH906[3] ▲	Corneal Endothelium Decompensation		Global	NMPA IND application in 2026

★ Core Product ▲ Key Product

Abbreviations: RPE = retinal pigment epithelial; mDAP = midbrain dopaminergic progenitor; CEnC = corneal endothelial cell; ARDS = acute respiratory distress syndrome; AE-ILD = acute exacerbation of interstitial lung disease; aGVHD = acute graft versus host disease; AMD = age related macular degeneration; IND = investigational new drug application; IIT = investigator-initiated clinical trial; Ph = phase; 2L = second-line.

Note:

1. We have sole rights to use two hESC lines (single-source stem cells, free from contamination by cells from other humans or animals) originated from the Strategic Collaborators, which have been utilized for establishing our master cell bank and working cell bank in connection with our cell therapy products development and related production. For details of the license of the hESC lines pursuant to the collaboration agreements between the Strategic Collaborators and us, see "Business – Collaboration Agreements – Collaboration Arrangement With the Strategic Collaborators" in this document.

2. According to the collaboration agreements between the Strategic Collaborators and us, we hold sole licenses to the patent rights for the differentiation pathways of M cells, mDAP cells, and RPE cells from hESCs, which technologies have been utilized in certain aspects of our development of ZH901, ZH903 and ZH902. In addition, we hold the exclusive commercialization rights to the patent rights for the differentiation pathways of M cells, mDAP cells, and RPE cells derived from hESCs worldwide. For details, see "Business – Collaboration Agreements – Collaboration Arrangement With the Strategic Collaborators" in this document.

3. The product candidate is intended to be used as monotherapy.

4. Except for aGVHD, currently there are no guidelines with respect to the treatment line of these indications.

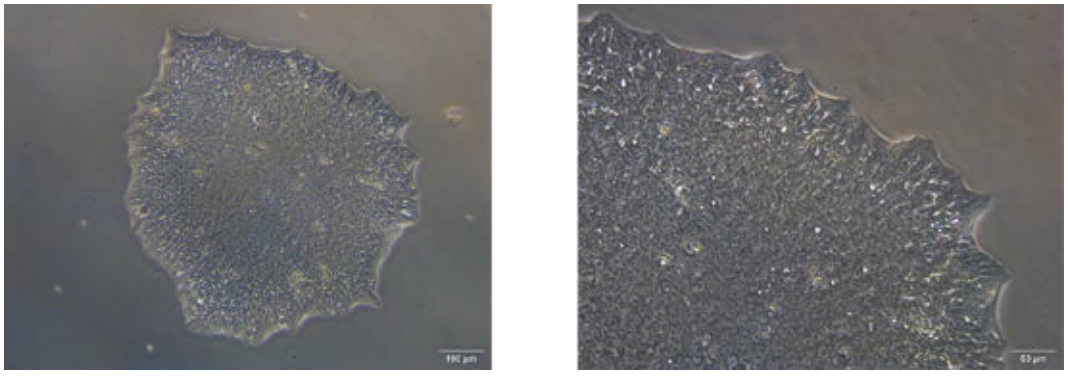
Source: Company data

Core Product: ZH901 – Potential First-in-Kind hESC-Derived M Cell Therapy Product Candidate

Our ZH901 is a potential first-in-kind, single cell line sourced, hESC-derived M cell therapy product candidate that can be used for treating a wide range of diseases that are caused or aggravated by inflammation or immune regulatory disorder, such as AE-ILD, aGVHD, meniscus injuries and ARDS.

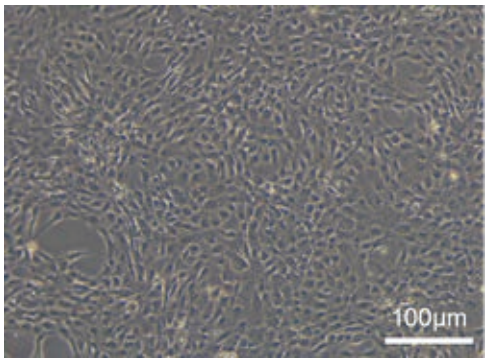
The hESC line from which ZH901 is derived is a clinical-grade hESC line originated from the cell line developed by the National Stem Cell Resource Center. It has been approved through the administrative licensing process for human genetic resources and is authorized to be used in developing therapeutic products. The following figures show the morphology of hESCs, which exhibit clonal growth.

Morphology of hESCs



Source: Company data

M cells are hESC-derived functional cells, with no contamination from cells of other species or other types of human cells. The chromosomal karyotype is consistent with that of normal human chromosomes, showing no mutations, deletions, or translocations. The surface molecular markers conform to the general standards defined by the International Society for Cellular Therapy for MSCs phenotypes. M cells secrete cytokines with immunoregulatory functions to suppress inflammation, as well as growth factors that stimulate cell growth, thereby promoting healing of injured cells. Cell-cell contact enables M cells to exert immunoregulatory functions and promote cell viability. Pre-clinical studies showed that M cells can express high levels of anti-inflammatory factors, while also inhibit the secretion of pro-inflammatory factors. Moreover, M cells can promote endogenous cell regeneration after joint and lung tissue being injured. Furthermore, as a cell therapy product directly differentiated from a single hESC line, ZH901 can achieve scalable cultivation and consistent batch-to-batch quality. Below is a photo of ZH901 under microscope and a photo of ZH901 injection *in vial*.



Source: Company data

As of the Latest Practicable Date, ZH901 was in Phase II clinical stage. We have completed research on its formulation, as well as procedures for cell preservation and rapid cell-thawing. As of the Latest Practicable Date, ZH901 was being investigated for four indications in Phase II clinical trials, including AE-ILD, aGVHD, meniscus injuries and ARDS.

Mechanism of Action

M cells has a multimodal potential mechanism of action that counteract inflammatory process and tissue damage. Depending on the environment in which they are located, M cells secrete numerous factors and thus act paracrine and autocrine, performing immunomodulatory, trophic and chemotactic effects. Multiple studies have confirmed that M cells may reduce inflammation, apoptosis and promote the clearance of alveolar fluid, repair the lung endothelial and epithelial cells, and prevent lung and distal organ injuries in patients. In addition. M cells may promote the proliferation of articular chondrocytes, inhibit the inflammatory response of articular chondrocytes, and promote the proliferation and migration of synovial MSCs, thereby alleviating or repairing meniscus injuries in patients' knee joints.

The immunomodulatory effects of M cells involve regulation of the inflammatory response. Uncontrolled inflammation plays an essential role in the pathogenesis of many diseases, in which the activation of inflammatory cells and the release of a series of inflammatory mediators cause epithelial and endothelial tissue damage. M cells exert immunomodulatory effects via their direct contact with immune cells and the secretion of soluble factors. M cells can regulate the proliferation of T cells, potentially due to their secretion of IDO-1, PGE2, and TGF-β.

Additionally, M cells can promote the conversion of Th1 cells into Th2 cells. Th1 cells produce IFN-γ, IL-2, and TNF-β, which activate macrophages and are responsible for cell-mediated immunity and phagocyte-dependent protective responses. By contrast, Th2 cells produce IL-4, IL-5, IL-10, and IL-13, which are responsible for strong antibody production, eosinophil activation, and inhibition of several macrophage functions, thus providing phagocyte-independent protective responses. Studies have shown that after co-cultivating M cells with PBMCs for five days, Th1-associated TNF-α and IFN-γ levels significantly decreased, while Th2-associated IL-4 and IL-13 levels significantly increased. Furthermore, M cells can also inhibit the differentiation of pro-inflammatory Th17 cells and promote the differentiation of immune-suppressing Treg cells.

M cells can not only regulate adaptative immune system, but also innate immune system. M cells can significantly promote the polarization of pro-inflammatory M1 macrophages to anti-inflammatory M2 phenotype, and this effect may be related to the secretion of IDO-1 and PGE2.

M cells can promote the proliferation of articular chondrocytes in a dose-dependent manner. They can inhibit the inflammatory response of articular chondrocytes, reducing the levels of pro-inflammatory factors IL-6 and IL-1β. Furthermore, it has been observed that M cells can dose-dependently enhance the proliferation and migration of synovial MSCs.

Pulmonary Damages

AE-ILD is an acute, clinically significant respiratory deterioration which develops within less than one month without an obvious clinical precipitant such as fluid overload, infection, left heart failure, or pulmonary embolism. The etiology of AE-ILD is not fully understood. Nevertheless, alveolar damage is considered the predominant feature of AE-ILD, which manifests histopathologically as diffuse alveolar damage. ARDS presents as a form of acute respiratory failure resulting from non-cardiogenic pulmonary edema due to excessive alveolocapillary permeability, which may be pulmonary or systemic in origin.

M cells could potentially benefit AE-ILD and ARDS patients by repairing damaged lung tissue through their immunomodulatory effects. To produce an anti-inflammatory effect, M cells reduce IL-1α, IL-2, IL-4, TNF-α, and IFN-γ in lung injury. Additionally, M cells can decrease the number of immune cells. Our *in vivo* pre-clinical study showed that at day 28 after BLM induction, the control group exhibited a significant increase in the numbers of immune cells, including eosinophils, macrophages, neutrophils, and lymphocytes. In contrast, both the low-dose and high-dose M cell groups showed a significant decrease in the numbers of these immune cells.

aGVHD

aGVHD occurs when immune cells transplanted from a non-identical donor into the recipient recognize the host cells as "foreign," thereby initiating a graft-versus-host reaction. M cells are a promising candidate for GVHD treatment, because they promote an immunosuppressive or immunoregulatory environment, by secretion of cytokines, chemokines, growth factors and extracellular vesicles. Notably, M cells constitutively secrete IDO-1, which, in turn, leads to suppression of allogeneic T cell proliferation. In addition, M cells can promote the generation of Treg cells, inhibit the differentiation of Th17 cells, and facilitate the conversion of Th1 cells to Th2 cells.

Meniscus Injuries

The menisci are a pair of semilunar fibrocartilage structures that play an essential role in maintaining normal knee function. The outer third of the meniscus, or the red-red zone, is well vascularized and has a good healing capacity, while the intermediate red-white zone and the innermost white-white zone have poor intrinsic healing owing to their avascular nature. For meniscus repair, especially for less severe lesions, current treatments focus on promoting natural healing of the meniscus.

Lesions of the inner regions of the meniscus do not heal spontaneously owing to their lack of vascularity. With respect to meniscus tissue engineering, M cells' therapeutic potential for meniscus injuries is mainly because of their multilineage plasticity towards a variety of mesenchymal tissues, potential immunomodulatory and anti-inflammatory properties, and extensive proliferative ability. Furthermore, M cells can migrate to the site of injury and enhance meniscus regeneration by inhibiting the inflammatory reaction of articular chondrocytes preventing the degradation of the cartilage extracellular matrix and promoting the proliferation of articular chondrocytes.

Market Opportunities and Competitive Landscape

AE-ILD

AE-ILD is characterized by the sudden onset of diffuse lung injury superimposed on the chronic pulmonary fibrotic changes of ILD, leading to acute exacerbation of respiratory dysfunction or respiratory failure, and even death. AE-ILD can occur at any stage during the chronic progressive development of pulmonary fibrosis in ILD. Epidemiological research studies have shown that patients with AE-IPF, a major subcategory of AE-ILD, often face a very poor prognosis, with a median survival period of approximately 3-4 months and in-hospital mortality rates ranging from 55-80%.

The incidence of ILD is high, with over 300,000 new cases annually in China, of which 10% to 30% experience acute exacerbations within the first two years after diagnosis. The incidence of AE-ILD in China was 314.8 thousand in 2019 and increased to 354.9 thousand in 2023. It is estimated to reach 453.9 thousand in 2027 and further increase to 516.5 thousand in 2030, at a CAGR of 6.3% from 2023 to 2027 and a CAGR of 4.4% from 2027 to 2030.

According to Frost & Sullivan, as of the Latest Practicable Date, there were no effective treatments globally for AE-ILD, and no innovative drugs were under clinical development except ZH901. Current treatments primarily focus on oxygen therapy. Medications such as corticosteroids, immunosuppressive agents and broad-spectrum antibiotics are also used, but they lack clear clinical benefits. In the absence of effective treatments, ventilatory support is ineffective in altering the prognosis of the disease, while invasive techniques such as invasive mechanical ventilation and extracorporeal membrane oxygenation are mainly used for patients listed for lung transplantation and cannot be used for long-term treatment to relieve patients' symptoms.

As of the Latest Practicable Date, ZH901 was the first and the only stem cell-derived cell therapy product candidate under clinical development for the treatment of AE-ILD globally. For details of AE-ILD, see "Industry Overview – Major Indications – AE-ILD" in this document.

aGVHD

GVHD is the most common life-threatening complication of allo-HSCT. GVHD that occurs within 100 days post-transplantation is termed aGVHD. The modified Minnesota aGVHD risk score system categorizes aGVHD into standard-risk and high-risk groups, with six-month mortality rates of 22% and 44%, respectively. Despite some progress in the prevention and treatment of aGVHD in recent years, it remains one of the most common complications and causes of death after allo-HSCT.

According to Frost & Sullivan, the annual incidence of aGVHD in China is around 11,000 new cases in 2024. The incidence of aGVHD in China was 5.5 thousand in 2019 and increased to 8.6 thousand in 2023, at a CAGR of 11.9% from 2019 to 2023. It is estimated to reach 17.0 thousand in 2027 and further increase to 27.3 thousand in 2030, at a CAGR of 18.4% from 2023 to 2027 and a CAGR of 17.2% from 2027 to 2030.

The first-line treatment for aGVHD is glucocorticoids. However, the efficacy of glucocorticoids is less than 50%, with only one-third of effective patients experiencing sustained relief. Globally, ruxolitinib and allogeneic MSCs have been approved for the treatment of aGVHD. However, ruxolitinib's hematological toxicity often leads to treatment interruption. As of the Latest Practicable Date, there were no stem cell-derived cell therapy products available in China for the treatment of aGVHD. Therefore, there is an urgent need for long-term unmet clinical demands in aGVHD.

As of the Latest Practicable Date, there were five stem cell-derived cell therapy products under clinical development for the treatment of aGVHD in China. Among them, ZH901 was the first and the only PSC-derived cell therapy under clinical development for the treatment of aGVHD in China. For details of aGVHD, see "Industry Overview – Major Indications – aGVHD" in this document.

Meniscus Injuries

Meniscus injuries manifest with joint pain, swelling, and restricted knee joint mobility, significantly impacting patients' quality of life. Among them, degenerative meniscal lesions are becoming increasingly common, with incidence rates rising with age, ranging from 16% in women aged 50-59 years to 50% in men aged 70-90 years. Consequently, with the aging population, the number of patients suffering from meniscus injuries is expected to increase significantly in the future.

According to Frost & Sullivan, the prevalence of meniscus injuries in China is approximately 8 to 12%. The prevalence of meniscus injury in China was 162.2 million in 2019 and reached 182.7 million in 2023, with a CAGR of 3.0% from 2019 to 2023. It is estimated to reach 200.9 million in 2027 with a CAGR of 2.4% from 2023 to 2027. In 2030, the number is projected to reach 214.0 million, at a CAGR of 2.1% from 2027 to 2030. According to Frost & Sullivan, the global average price of a single meniscus injury surgery ranges from approximately US$3,000 to US$8,000.

The self-repair ability of the meniscus is limited. Without timely and effective treatment, injuries often continue to progress, leading to spontaneous or traumatic meniscal tears, and even osteoarthritis of the knee joint, severely affecting patients' quality of life and imposing a heavy economic burden on their families and society. As of the Latest Practicable Date, there were no innovative drugs for meniscus injuries, and the recommended treatments in clinical practice were conventional, including physical therapy such as acupuncture, and surgery for advanced cases. However, these treatments can only provide temporary relief of symptoms and cannot halt the progression of the disease. Therefore, there is an urgent medical need for innovative drugs that can promote meniscus injury repair.

As of the Latest Practicable Date, ZH901 was the first and the only stem cell-derived cell therapy product under clinical development for the treatment of meniscus injuries in China. For details of meniscus injury, see "Industry Overview – Major Indications – Meniscus Injuries" in this document.

ARDS

ARDS is a destructive disease characterized by acute, diffuse, inflammatory lung injury. ARDS onset is rapid, with a high mortality rate, necessitating intervention for all patients. If not promptly treated, the mortality rate exceeds 80%, with approximately 90% of deaths occurring within the first 2 to 3 weeks, indicating the urgency and importance of timely treatment for ARDS.

Each year, approximately 100,000 new cases of ARDS occur in China. The incidence of ARDS in China was 106.9 thousand in 2019 and reached 110.3 thousand in 2023, with a CAGR of 0.8% from 2019 to 2023. It is estimated to reach 111.0 thousand in 2027 and further increase to 111.5 thousand in 2030, at a CAGR of 0.2% from 2023 to 2027 and a CAGR of 0.1% from 2027 to 2030.

Drug development for ARDS is challenging due to it being a syndrome caused by multiple diseases. As of the Latest Practicable Date, there were no effective treatments for ARDS. The current treatment approach primarily involves mechanical ventilation. Commonly used medications include corticosteroids, pulmonary surfactants, N-acetylcysteine, statins, and β-agonists. However, these treatments not only have limited efficacy but also may lead to fatal adverse events.

As of the Latest Practicable Date, there were five stem cell derived cell therapy products for ARDS under clinical development in China. Among them, ZH901 was the first and the only PSC-derived cell therapy product candidate and the most clinically advanced cell therapy product candidate for ARDS treatment in China. For details of ARDS, see "Industry Overview – Major Indications – ARDS" in this document.

Competitive Advantages

Currently, ZH901 is the first and only PSC-derived cell therapy product candidate that has entered Phase II clinical trials in China. As of the Latest Practicable Date, ZH901 was being investigated for four indications in Phase II clinical trials, including AE-ILD, aGVHD, meniscus injuries and ARDS. Leveraging our PROF platform, we believe ZH901 has high druggability potential. Multiple clinical trials verified both safety and preliminary efficacy of ZH901. For details of clinical trials, see "– Our Pipeline Product – Core Products: ZH901 – Potential First-in-Kind hESC-Derived M Cell Therapy Product Candidate – Summary of Clinical Trials" in this section.

High Druggability Potential

hESCs, our cell source for developing ZH901 as well as other cell therapy products, are a single cell line originated from the Strategic Collaborators. It has the capability to replicate unlimitedly, eliminating the need to constantly seek new sources of cell seeds. ZH901 is directly derived from hESCs through differentiation. The cell seeds from a single source enables consistent batch-to-batch quality at industrial-

scale. ASCs, on the other hand, have limited replication capacity, which may require the continual acquisition of new ASCs, for differentiation into robust MSCs. The varying properties of ASCs, across batches may potentially lead to variation in characteristics of MSCs produced. In addition, leveraging our PROF platform, especially our cell formulation development technology, ZH901 is available in an off-the-shelf cell formulation and can be stably preserved for at least three years in vapor phase liquid nitrogen, making it convenient to use.

Encouraging Pre-Clinical/Clinical Data

Safety Profile and Tolerability

ZH901 has a robust safety profile *in vitro* and *in vivo*, and could potentially provide therapeutic treatments with favorable tolerability. As of the Latest Practicable Date, approximately 100 patients had received ZH901 treatment in six clinical trials either via intravenous infusion or intra-articular knee joint administration. During the treatment and/or follow-up periods of up to two years, none of them experienced any SAEs caused by ZH901, and Grade 1 or 2 AEs possibly related to ZH901 according to the investigator can be resolved without special medical intervention, indicating that ZH901 was well tolerated and had an encouraging safety profile. No new malignancy occurrence or abnormal immune function changes were observed following the treatment with ZH901.

Encouraging Efficacy in AE-ILD and ARDS

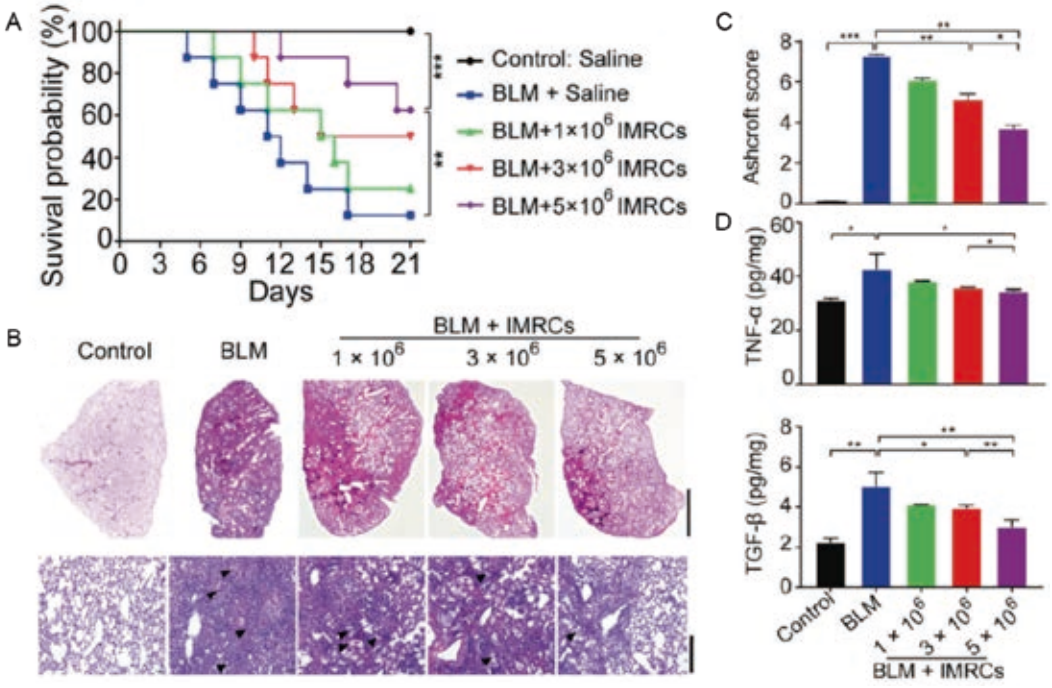
The efficacy of ZH901 in treating AE-ILD and ARDS patients has been preliminarily approved through both pre-clinical and clinical studies.

- Pharmacology Study Results

To evaluate therapeutic effects of ZH901 on lung injury and fibrosis, ZH901 was administered intravenously into a BLM-induced model of lung injury. ZH901 ameliorated the total body weight reduction in mice in a dose-dependent manner. Kaplan-Meier survival curves indicated that ZH901 treatment improved the OS rates and prolonged the median survival time in mice. The result showed that ZH901 reduced alveolar thickening in the lung in a dose-dependent manner. Moreover, ZH901 reduced the number of macrophages in the lung. These results indicated that ZH901 can reduce inflammation in the lung after acute injury.

ZH901 also improved the Ashcroft score for pulmonary fibrosis in a dose-dependent manner. In particularly, ZH901 decreased collagen deposition in the BLM-induced lungs in a dose-dependent manner. The expression levels of COL I, FN and α-SMA were also significant lower after ZH901 treatment. ELISA showed that ZH901 reduced both TNF-α and TGF-β1 levels in the BLM-induced lungs in a dose-dependent manner. These results suggested that ZH901 can significantly reduce inflammation and fibrosis after lung injury, in a dose-dependent manner.

M Cells Transfusion Treats Lung Injury and Fibrosis Dose Dependently



Notes:

A. Kaplan-Meier survival curves of the mice receiving different interventions;

B. Representative images of histology of lung sections stained with H&E at day 21 post-injury. Arrowheads: inflammatory infiltration;

C. Quantitative evaluation of fibrotic changes with the Ashcroft score in lungs of mice receiving different interventions. The Ashcroft scores based on the lung H&E sections;

D. ELISA for the protein levels of TNF-α and TGF-β1 in the lungs of mice receiving different interventions;

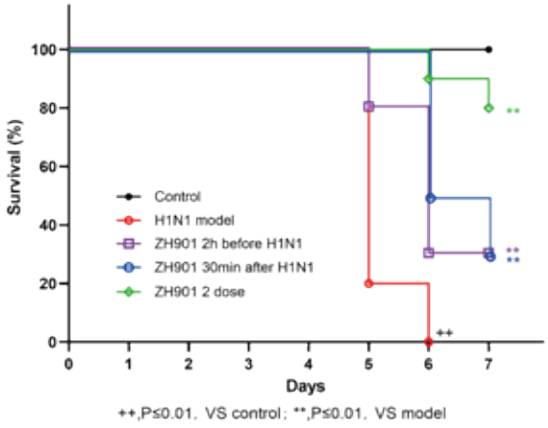
* $P < 0.05$, **$P < 0.01$, ***$P < 0.001$; data are represented as the mean ± SEM.

IMRCs refers to M cells.

Source: Literature review

In an *in vivo* PD study, ZH901 demonstrated therapeutic effect in reducing mortality in a mouse model of viral pneumonia. The result showed that all mice infected with the H1N1 virus died within seven days without treatment. However, intravenous administration of ZH901 significantly improved the survival rate and prolonged the survival time in the mice, demonstrating a significant therapeutical effect against mortality.

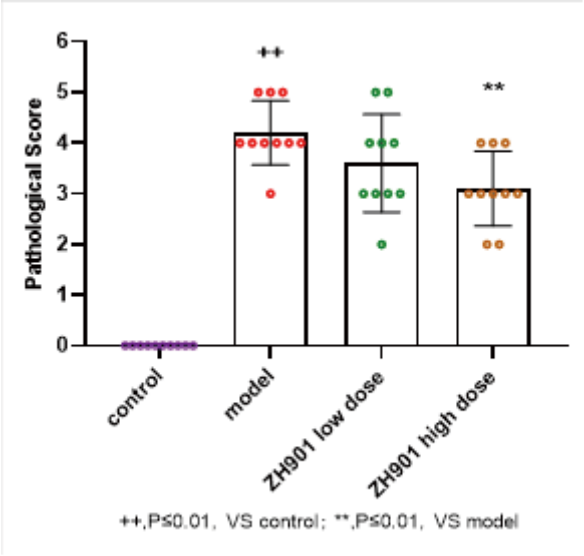
Survival Curves of the Mice



Source: Company data

We also evaluated the therapeutic effect of ZH901 on an H1N1-induced acute lung injury mouse model. The result showed that ZH901 significantly reduced the level of pulmonary pro-inflammatory factors, decreased the pathological scores of lungs, and effectively mitigated lung pathological damage in the H1N1-induced acute lung injury mouse model. As such, ZH901 demonstrated a significant therapeutic benefit in the H1N1-induced acute lung injury mouse model.

Pathological Scores of Lungs in the Mice



Source: Company data

- Clinical Data

Based on clinical data, we observed improvements in efficacy indicators among the enrolled patients, suggesting that ZH901 may potentially improve clinical outcomes in AE-ILD patients.

In the Phase I/II clinical trial of ZH901, we observed encouraging efficacy in patients with ARDS caused by COVID-19. Compared to the placebo group, the treatment group showed more rapid and better improvements in short-term efficacy indicators such as FiO_2 and oxygenation index (PaO_2/FiO_2), as well as in long-term efficacy indicators such as pulmonary diffusion function (DLCO%). Similarly, in the Phase II clinical trial of ZH901 for pulmonary fibrosis caused by COVID-19, we observed encouraging efficacy. After receiving ZH901, patients in the treatment group demonstrated various degrees of improvements compared to the placebo group in pulmonary ventilation function (FVC), aerobic capacity (6-MWT), exercise endurance (SGRQ score), and shortness of breath (SOBQ score).

In summary, clinical trials have shown that ZH901 can improve oxygenation, pulmonary ventilation and gas exchange function, aerobic capacity, and exercise endurance in patients with pulmonary fibrosis and ARDS. Combined with pharmacology studies, ZH901 demonstrated anti-inflammatory and anti-fibrotic effects in rat models of lung injury and fibrosis. Therefore, we believe that using ZH901 to treat AE-ILD patients with the pathophysiological changes of pulmonary fibrosis and ARDS may similarly improve their clinical efficacy indicators and provide clinical benefits.

Encouraging Efficacy in aGVHD

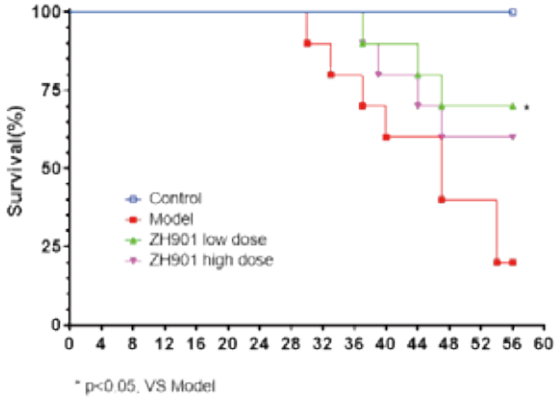
The first-line treatment for aGVHD is glucocorticoids, with an efficacy rate of approximately 40–60%. Various drugs, such as tacrolimus, mycophenolate mofetil, and basiliximab, have been attempted for treating steroid-refractory aGVHD, but there is no standardized second-line treatment regimen. Patients who do not respond to glucocorticoids have a poor prognosis due to factors such as potential viral activation, sepsis, and relapse caused by aGVHD damage and excessive immunosuppression from aGVHD treatment, which severely affect survival rates. Therefore, there is an urgent need to find new and effective treatments for steroid-refractory aGVHD.

ZH901 can increase the expression levels of anti-inflammatory factors such as IDO-1 and PGE2, inhibiting target-organ damage caused by the inflammatory response of aGVHD. It is expected to address the challenge of effectively treating steroid-refractory aGVHD and meet the urgent clinical need. Both pre-clinical and existing clinical data have validated this potential of ZH901.

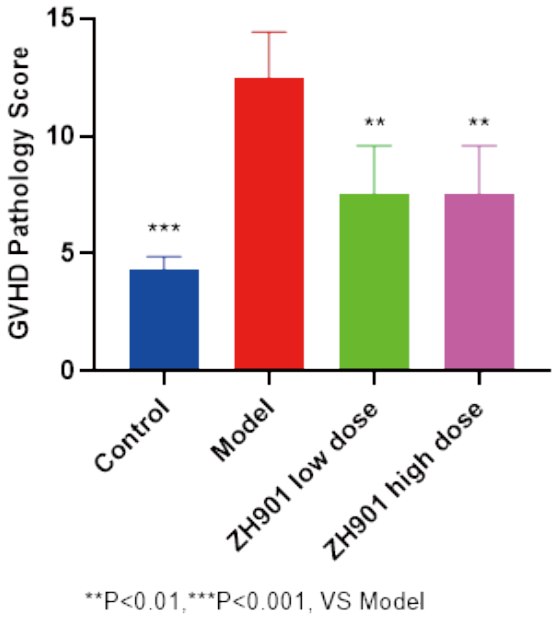
- Pharmacology Study Results

The *in vivo* PD study results showed that intravenous administration of ZH901 significantly improved the survival rate of GVHD mice, reduced the GVHD clinical symptom scores in the mice, and significantly improved GVHD induced T cell infiltration and target-organ damage at the histopathology level. These data demonstrated the potential of ZH901 in treating GVHD.

Survival Curves of the Mice



Pathological Scores of GVHD Target Organs in the Mice



Source: Company data

- Clinical Data

As of Latest Practicable Date, a total of 12 aGVHD patients have been enrolled in the Phase II clinical trial of ZH901. Based on preliminary clinical data in nine evaluable patients, we observed that the ORR at day 28 post the first infusion, was 77.78%.

Encouraging Efficacy in Meniscus Injuries

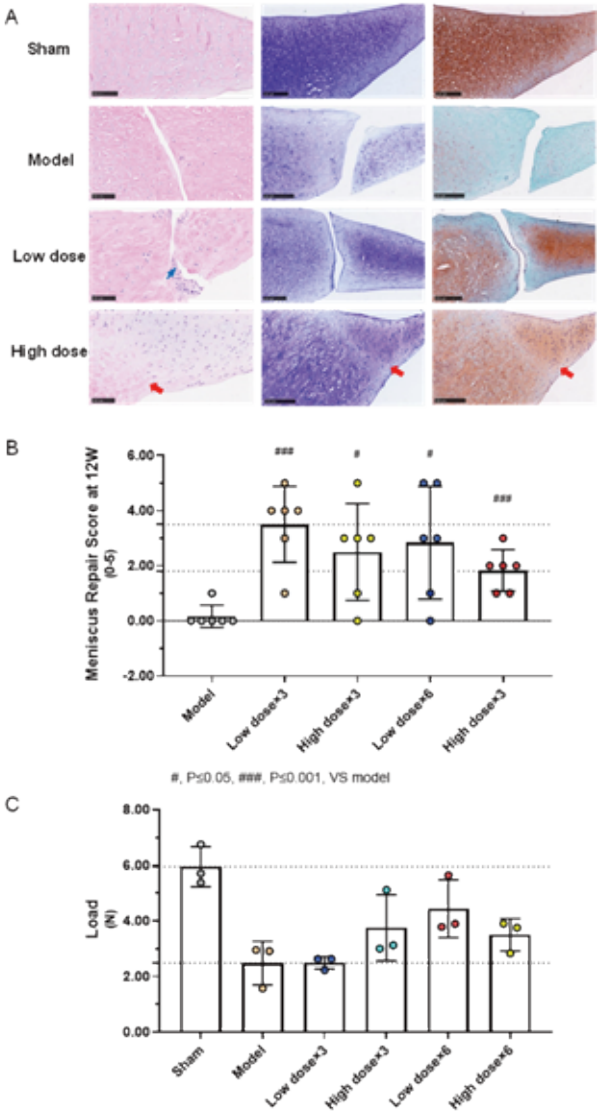
The therapeutic potential of ZH901 for meniscus injuries is mainly because of their multilineage plasticity towards a variety of mesenchymal tissues, potential immunomodulatory and anti-inflammatory properties, and extensive proliferative ability. In both pre-clinical and clinical studies, we have observed that ZH901 was well-tolerated when administered through intra-articular knee join. Preliminary efficacy indicated that ZH901 may have the potential to improve and repair meniscal injuries in patients.

- Pharmacology Study Results

The *in vivo* PD study results showed that ZH901, administered intra-articularly, has a therapeutic effect on meniscal injuries in a rabbit model. Histopathological analysis of the meniscus at various time points post-treatment revealed significant improvements in the meniscal injury in the rabbit. These improvements were primarily observed in two aspects: promoting cartilage cell regeneration in the meniscal injury sites, as well as reducing the loss of cartilage matrix around the meniscal injury sites. The histopathological scores in the ZH901 treatment group were significantly lower compared to the concurrent model group. Additionally, the biomechanical testing results of the meniscus at

the study endpoint showed that ZH901 effectively ameliorated the biomechanical changes in the surgery-induced meniscal injuries, with significant increases in maximum load capacity and maximum load energy. Therefore, ZH901 demonstrated potential for promoting meniscal regeneration and repairing meniscal injuries.

M Cells Promote Meniscal Regeneration and Repair Meniscal Injuries



Notes:

A. Representative images of histology of rabbit meniscal tissue 12 weeks after the first dose, including HE staining, toluidine blue staining, and safranine O/fast green staining;

B. Histopathological scoring results of meniscus repair in the meniscal injury sites of rabbits 12 weeks after the first dose;

C. Biomechanical testing results of rabbit menisci 16 weeks after the first dose.

Source: Company data

- Clinical Data

In an IIT, we observed encouraging efficacy in eighteen patients with meniscus injuries. In the enrolled patients, the VAS (described as mean ± SEM below) significantly decreased from 3.50 ± 0.40 before treatment to 1.69 ± 0.33 at week 48 after ZH901 injection. The WOMAC score decreased from 14.94 ± 1.83 baseline to 10.81 ± 5.29 at week 48. The AKS and Lysholm knee scores showed an upward tendency over time, suggesting enhanced knee function after intra-articular injection of M cells. Data from meniscus MRI images at week 1, 4, 8, 12 and 48 after ZH901 injection demonstrated that 6 (33.33%), 10 (55.56%), 11 (61.11%), 15 (83.33%) and 14 (81.25%) patients had healed meniscus.

Summary of Clinical Trials

We have conducted and are conducting multiple clinical trials of ZH901 in patients with AE-ILD, aGVHD, meniscus injuries and ARDS.

Due to the outbreak of COVID-19, we obtained emergency regulatory clearance from the NMPA of ZH901 for the treatment of ARDS and pulmonary fibrosis caused by COVID-19. These clinical trials have been completed, and the results showed that ZH901 was well tolerated through intravenous administration based on two-year follow-up data, and demonstrated encouraging preliminary efficacy in treating the relevant indications, which have provided safety and preliminary efficacy data for proceeding with Phase II clinical trials for potential indications of ZH901 that are administered intravenously. We obtained the IND approvals and initiated the clinical trials of ZH901 in patients with AE-ILD and all-cause ARDS in 2023 and 2022, respectively.

Based on the encouraging safety profile observed in the above summarized clinical trials, in April 2023, we received the IND approval from the NMPA for conducting Phase II clinical trials of ZH901 for the treatment of aGVHD. Upon receiving the foregoing IND approvals, we proceed to conduct Phase II clinical trials in China on AE-ILD, aGVHD and ARDS.

In addition, for meniscus injuries, upon obtaining IND approval from the NMPA in September 2021, we have initiated a Phase I/II clinical trial in March 2022.

Phase II Clinical Trial of ZH901 in Patients with AE-ILD

Trial Design. This is a placebo-controlled, multi-center, double blind, randomized, Phase II clinical trial in patients with AE-ILD. This trial is being conducted in China. The patients enrolled will be randomized into three groups: the low dose treatment group, the high dose treatment group and the placebo group. In the treatment group, patients will receive either 1×10^6/kg or 3×10^6/kg ZH901 once a week for three times through intravenous infusion. In the placebo group, patients will receive placebo once a week for three times through intravenous infusion.

The primary objective is to evaluate the preliminary efficacy of ZH901 for patients with AE-ILD intravenous administration, namely 3-month mortality. The secondary objective is to assess efficacy, such as the mortality during one month, six months, and one year periods, and the safety, including AE of ZH901 for patients with AE-ILD following intravenous administration.

Trial Status. We obtained the IND approval for conducting this trial from the NMPA in April 2023, and initiated the study in August 2023. As of the Latest Practicable Date, the trial was still ongoing.

Phase II Clinical Trial of ZH901 in Patients with aGVHD

Trial Design. This is a Phase II clinical trial is being conducted in China in patients with aGVHD. This study has two parts: Part I, a multi-center, open-label, randomized study, and Part II, a double-blind, placebo-controlled, multicenter randomized study. In Part I, patients will receive 1×10^6 cells/kg ZH901 every week for three times, or 3×10^6 cells/kg ZH901 every week for three times, or 1×10^6 cells/kg ZH901 twice a week for four times. The treatment regimen of Part II will be determined based on the clinical results of Part I.

The primary objective is to evaluate the preliminary efficacy of ZH901 for patients with aGVHD intravenous administration, namely the ORR on day 28. The secondary objective is to assess the efficacy, including ORR, CR rate, OS rate, and primary disease recurrence rate on day 98, as well as the safety of ZH901 for patients with aGVHD following intravenous administration.

Trial Status. We obtained the IND approval from the NMPA in April 2023, and initiated the study in September 2023. As of the Latest Practicable Date, the trial was still ongoing.

Safety Profile. As of the Latest Practicable Date, a total of 12 patients have been enrolled. None of them experienced infusion-related AEs or SAEs related to the investigational drug.

Efficacy Profile. As of the Latest Practicable Date, a total of 12 patients have been enrolled. Among these patients, the ORR at day 28 post-first infusion was 77.78%.

Phase I/II clinical trial of ZH901 in Patients with Meniscus Injuries

Trial Design. This is a double-blind, placebo-controlled, randomized, Phase I/II trial in patients with meniscus injuries. This trial is being conducted in China. Patients enrolled in this study will suffering from Grade I-III meniscus injury. All the patients will be randomized into two groups, the treatment group and the placebo group. In the treatment group, patients will receive 1×10^7 cells, 5×10^7 cells or 1×10^8 cells of ZH901 through intra-articular knee join injection. In the placebo group, patients will receive placebo through intra-articular knee join injection. The follow-up period after the injection is expected to be 96 weeks.

The primary objective of this study is the safety of ZH901 after single intra-articular knee join injection, including AE, SAE and TEAE, and abnormalities in vital signs, physical examinations, electrocardiograms, and laboratory test results. The secondary objective of this study is preliminary efficacy of ZH901 after single intra-articular knee join injection.

Trial Status. We obtained the IND approval from the NMPA in September 2021, and initiated the study in March 2022. As of the Latest Practicable Date, the trial was still ongoing.

Phase II Clinical Trial of ZH901 in Patients with ARDS

Trial Design. This is a placebo-controlled, multi-center, double blind, randomized, Phase II clinical trial in patients with ARDS. This trial is being conducted in China. The patients enrolled will be randomized into three groups. In the treatment group, patients will receive either 3×10^6 cells/kg or 5×10^6 cells/kg of ZH901 through intravenous infusion. In the placebo group, patients will receive placebo through intravenous infusion.

The primary objective is to evaluate the preliminary efficacy of ZH901 for patients with ARDS intravenous administration, namely overall mortality rate on day 28. The secondary endpoints included the number of ventilator-free days, organ-failure-free days, ICU-free days at day 28 and measures of lung physiology, as well as the safety and tolerability of ZH901 for patients with ARDS following intravenous administration.

Trial Status. We obtained the IND approval from the NMPA in February 2022, and initiated the study in July 2022. As of the Latest Practicable Date, the trial was still ongoing.

Phase II Clinical Trial in Patients with Pulmonary Fibrosis Caused by COVID-19

Trial Design. This is a randomized, double-blind, placebo-controlled, Phase II trial in patients with pulmonary fibrosis caused by COVID-19. This trial was conducted in China. Patients were randomly assigned to the low-dose group (1×10^6 cells/kg of ZH901), high-dose group (3×10^6 cells/kg of ZH901) or placebo group (saline) in a 1:1:1 ratio, respectively. A total of 27 patients enrolled in this study, with 9 patients in the high-dose group, 9 patients in the low-dose group and 9 patients in the placebo group. ZH901 or placebo was administered intravenously for three times, and the administration interval was one week (± 2 days). Pulmonary function, quality of life and other information from all patients within 52 weeks after starting treatment were collected to evaluate the impact of ZH901 on the long-term benefits of patients. In this clinical trial, on average, each patient received three times injections, receive a single dosage of approximately 59×10^6 to 261×10^6 cells of ZH901, and each patient received a total dosage of approximately 177×10^6 to 783×10^6 cells of ZH901.

The primary objective is to evaluate the preliminary efficacy of ZH901 in patients with pulmonary fibrosis caused by COVID-19. The secondary objective is to evaluable the safety of ZH901 in patients with pulmonary fibrosis caused by COVID-19.

Trial Status. This trial was completed in 2021.

Safety Profile. There was no significant difference in the occurrence of adverse events between the treatment group and the placebo group. Among patients who received ZH901, nine experienced treatment-related adverse events, including increased ceruloplasmin, increased gamma-glutamyl transferase, decreased lymphocyte count, increased blood creatine phosphokinase, increased blood chloride, increased alanine aminotransferase, urine crystal detection, blood Elevated alkaline phosphatase, elevated blood pressure, hyperuricemia, hyperlipidemia, ventricular extrasystoles, anemia, chest discomfort, and venous thrombosis of the limbs. Except for one case of treatment drug-related AE in the low-dose group was Grade 2 in severity, the rest were all Grade 1. None experienced investigational drug-related SAEs.

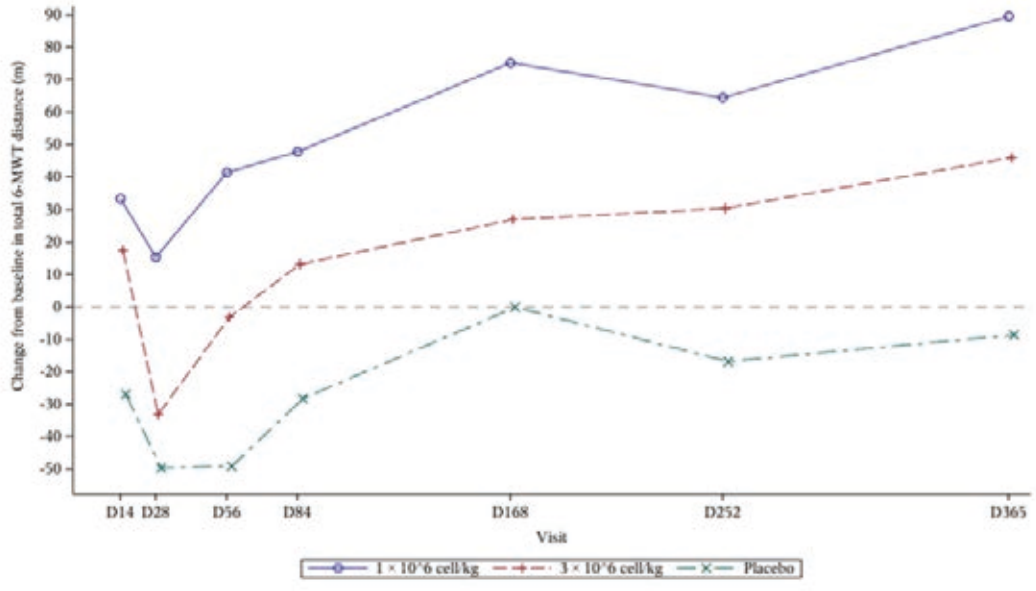
In this clinical trial, there was no significant difference in the incidence of SAEs between the ZH901 group and the placebo group, and the incidence of SAEs was not dose-related. During the study, no investigational drug-related AEs led to dose reduction, drug withdrawal, or death. There were no coagulation abnormalities, cardiac function damage, infections, abnormal immune function changes, or tumorigenesis related to ZH901.

Efficacy Profile. The results indicated that the treatment group demonstrates varying degrees of improvement in efficacy indicators, such as pulmonary ventilation function (FVC), total distance in the 6-MWT, SGRQ score, and SOBQ score, assessing patient's pulmonary ventilation function, activity level, exercise endurance, and respiratory difficulty.

The 6-MWT can effectively reflect the physiological state of patients in their daily lives and assess their overall activity capacity and functional status. For evaluating cardiopulmonary function or exercise tolerance in the elderly population, a total 6-MWT distance of less than 150 meters is considered severely abnormal, 150 to 300 meters is moderately abnormal, 301 to 450 meters is mildly abnormal, and greater than 450 meters is considered normal.

The change in 6-MWT distance from baseline showed an upward trend and continued improving in both the low-dose and high-dose ZH901 groups. In contrast, the placebo group showed a downward trend, consistently remaining below baseline levels. Therefore, ZH901 treatment significantly improved patients' exercise tolerance.

Changes in Total 6-MWT Distance From Baseline



Source: Company data

FVC, also known as timed vital capacity, refers to the maximum amount of air that can be forcefully and rapidly exhaled after taking a deep breath. A reduced FVC is commonly seen in various restrictive ventilatory disorders, such as ILD. In this study, it is observed that changes in FVC from baseline showed an upward trend in both the low-dose and high-dose groups, with improvements greater than those observed in the placebo group. Notably, within the first three months after infusion, improvements in FVC were significantly better in both the low-dose and high-dose groups compared to the placebo group. These results suggested that ZH901 improved pulmonary ventilation function.

The SGRQ score is a standardized questionnaire used to measure health-related quality of life in patients with diseases of airway obstruction. It consists of 50 items that are divided into three components: respiratory symptoms, activity limitation, and disease impact. Each component is scored separately based on the weight of the items, and a total score is calculated. The scores range from 0 to 100, with higher scores indicating a greater impairment of quality of life due to the disease.

The clinical data showed that after the administration of ZH901, the activity component of SGRQ showed a downward trend in all treatment groups, with the low-dose and high-dose groups showing a slightly greater decrease compared to the placebo group. This suggested ZH901 can potentially lead to an improvement in activity capacity.

The SOBQ score includes 24 items, each rated from 0 to 5, for a total score of 120. Higher scores indicate more severe dyspnea. For the SOBQ score, both the ZH901 treatment groups and the placebo group showed a slight decrease from baseline, but the decrease in the ZH901 treatment groups was more significant compared to the placebo group. This suggested that ZH901 can potentially lead to an improvement in dyspnea.

Conclusion. In conclusion, our ZH901 was well tolerated among pulmonary fibrosis patients caused by COVID-19. Furthermore, ZH901 can improve lung ventilation function, activity level, and exercise endurance in patients with pulmonary fibrosis.

Phase I/II Clinical Trial in Patients with ARDS Caused by COVID-19

Trial Design. This was a Phase I/II trial in patients with ARDS caused by COVID-19. This trial was conducted in China. This study comprised of two phases: Phase I, the single-arm, open-label, dose escalation phase, and Phase II, the randomized, double-blind, placebo-controlled study phase. Six patients enrolled in the Phase I study, and six patients enrolled in the Phase II study. During the Phase I of this clinical trial, patients received one to three times of 3×10^6, 5×10^6, or 10×10^6 cells/kg of ZH901 via intravenous infusion. During the Phase II of this clinical trial, patients were randomized into either the treatment group or the placebo group in a 1:1 ratio. In the treatment group, patients received 3×10^6 cells/kg of ZH901, and in the placebo group, patients received saline. In this clinical trial, on average, each patient received a single dosage of approximately 180×10^6 to 500×10^6 cells of ZH901, and each patient received a total dosage of approximately 205×10^6 to 1000×10^6 cells of ZH901.

The primary objectives were to evaluate the safety and tolerability of ZH901 in patients with ARDS caused by COVID-19, as well as to determine the dose regimen for the subsequent clinical trials. The secondary objectives were to evaluate the preliminary efficacy of ZH901 in patients with ARDS caused by COVID-19.

Trial Status. This trial was concluded in April 2021.

Safety Profile. There was no significant difference in the occurrence of adverse events between the treatment group and the placebo group. Among the nine evaluable patients who received ZH901, only two experienced treatment-related adverse events, including an increased monocyte percentage, positive urine white blood cells, urine crystals, and abnormal blood glucose. All treatment-related adverse events were Grade 1 and fully resolved without treatment before the end of the follow-up period, with no sequelae. There were two patients reported three CTCAE Grade 3-4) adverse events. However, none experienced SAEs that were treatment drug related.

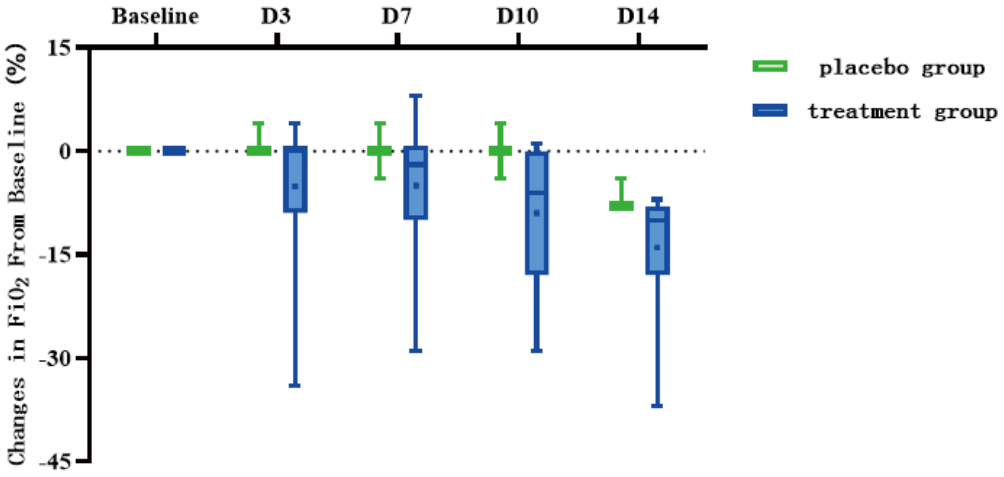
In this clinical trial, there was no significant difference in the incidence of SAEs between the ZH901 group and the placebo group, and the incidence of SAEs was not dose-related. During the study, there were no investigational drug-related AEs that led to dose reduction, drug withdrawal, or death.

Efficacy Profile. The results showed that compared to the placebo group, the treatment group has experienced improvements or faster improvements in early efficacy indicators such as respiratory support oxygen concentration (FiO_2%), oxygenation index (PaO_2/FiO_2), and long-term efficacy indicator pulmonary diffusion function (DLCO%).

For all supplemental oxygen delivery devices, the patient is not just breathing the direct oxygen, but rather is breathing a combination of room air plus the oxygen from the supplemental device. FiO_2 is an indicator of the dependencies on supplemental oxygen delivery devices. Medical patients experiencing difficulty breathing are provided with oxygen-enriched air, which means a higher-than-atmospheric FiO_2.

Analysis of the respiratory support oxygen concentration data revealed that within the first 14 days after treatment began, the treatment group experienced a continuous and significant decrease in FiO_2, outperforming the control group. By day 3 following the initiation of cell therapy, the treatment group had already begun to show a decline in the required respiratory support oxygen concentration, with this downward trend continuing and further improving through day 14. In contrast, the placebo group did not show significant changes compared to baseline until day 10. These findings suggest that the treatment group achieved a more rapid and substantial improvement in hypoxia levels compared to the placebo group.

Box Plot of Changes in FiO_2% From Baseline

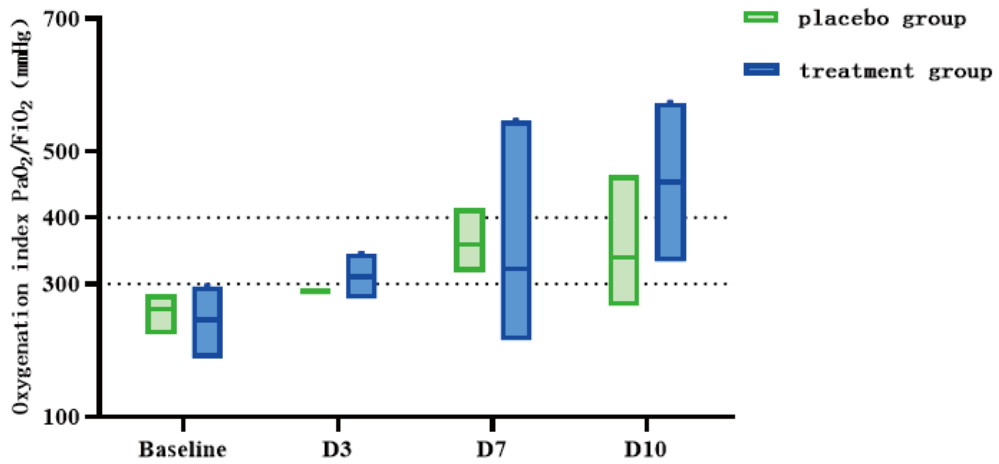


Source: Company data

The ratio of PaO_2 to the FiO_2 is called oxygenation index. It is an important index that shows whether organs can get enough oxygen to carry out functions and obtain energy, and is a goal in respiratory treatment. The normal value of oxygenation index is 400-500mmHg. If the number is less than 400mmHg, it indicates abnormal oxygenation. If the number is less than 300mmHg, it indicates pulmonary respiratory dysfunction. An oxygenation index ranging between 200 and 300mmHg indicates mild ARDS, between 100 and 200mmHg indicates moderate ARDS, and less than 100mmHg indicates severe ARDS.

Analysis of the patients' data showed that, compared to baseline, the PaO_2/FiO_2 values at various visit points after treatment demonstrated an upward trend. By day 3 following the initiation of cell therapy, the treatment group had already moved out of severe ARDS-related respiratory dysfunction, whereas the placebo group reached this status by day 7. These results suggested that the treatment group achieved faster improvement in pulmonary oxygenation and quicker recovery from the ARDS state compared to the placebo group.

Box Plot of Changes in PaO_2/FiO_2 Value from Baseline

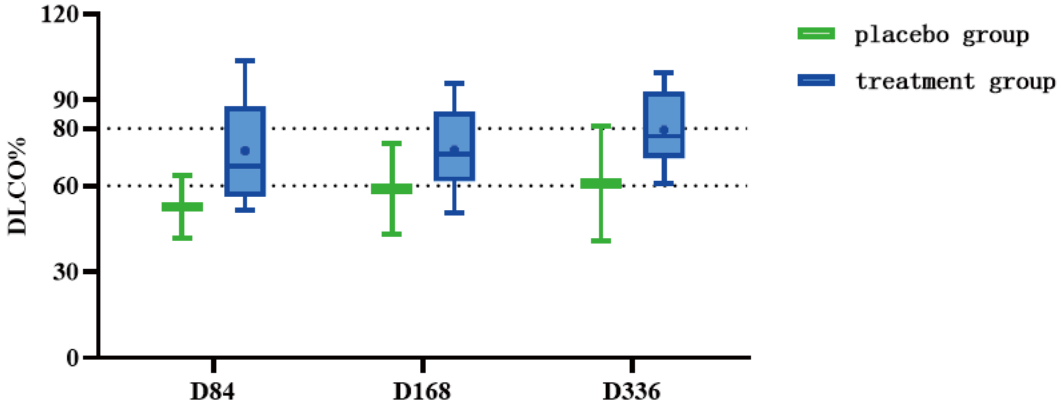


Source: Company data

The DLCO refers to the process of gas exchange across the alveolar-capillary membrane from high to low partial pressure between the alveoli and pulmonary capillaries. It is one of the reference indicators for assessing pulmonary diffusion function. DLCO less than 80% of the predicted value indicates impaired pulmonary diffusion function, which is commonly seen in diseases such as diffuse interstitial pulmonary fibrosis.

Analysis of the patients' pulmonary diffusion function DLCO% data indicated that the treatment group consistently outperformed the placebo group at all follow-up visits. At the day 84 visit (the first follow-up), the treatment group showed mild diffusion dysfunction, which was significantly better than the moderate diffusion dysfunction seen in the placebo group (72.26±18.029% vs. 52.60±15.415%). By the day 336 visit (the final follow-up), the treatment group had nearly returned to normal levels (79.49±13.105%), whereas the placebo group continued to show mild diffusion dysfunction (60.80±28.284%). These findings suggest that, within three months to one year after treatment, the treatment group achieved near-normal pulmonary ventilation function, while the placebo group remained in mild to moderate diffusion dysfunction.

Box Plot of Changes in DLCO Measured/Predicted Value from Baseline



Source: Company data

Conclusions. In conclusion, ZH901 was well tolerated, with low-severity adverse events and no cases of intolerable toxicity. Additionally, ZH901 demonstrated promising efficacy in patients with ARDS in both the short-term and long-term.

IIT of ZH901 in Patients with Meniscus Injuries

Trial Design. This is a single-arm, open-label, IIT in patients with meniscus injuries. This trial was conducted in China after filing with the NHC of China. The patients enrolled in this study suffered from Grade I-II meniscus injury, who received 1×10^7, 5×10^7, or 1×10^8 cells of ZH901 through intra-articular knee join injection. The follow-up period after the injection was 12 months, and the follow-up was conducted before treatment, and 1 week, 1 month, 2 months, 3 months, 6 months and 12 months after treatment. The objectives of this study were the safety and efficacy of ZH901 after single intra-articular knee join injection.

Trial Status. This trial was concluded in December 2020.

Safety Profile. Among the 18 evaluable patients, none experienced treatment drug-related SAEs. Four patients experienced four moderate adverse events, which were relieved without treatment. No patients withdrew from the clinical trial due to investigational drug-related AEs. No DLTs were observed. No neoplasm was detected in the imaging examination of the knee joint. Blood tests, including complete blood count, basic metabolic panel, blood enzyme tests, blood clotting tests, human lymphocyte subsets and inflammatory cytokines, were almost in the normal reference range and showed no significant change after injection. Other clinical laboratory indicators, including alanine aminotransferase, aspartate aminotransferase, creatine, potassium, and international normalized ratio, did not show significant changes. No clinical deterioration or vital signs changes were reported during the study.

Efficacy Profile. The mean VAS scores for the low, medium, and high-dose groups showed a downward trend, decreasing from 3.50 ± 0.40 before treatment to 1.69 ± 0.33 at week 48 after ZH901 injection. This indicated that knee joint pain was relieved to some extent in all patients after receiving ZH901 treatment. The mean Lysholm scores for all dose groups showed an increasing trend, primarily in terms of reduced lameness and pain relief. The mean AKS scores in the medium and high-dose groups also increased, reflecting improvements in knee joint pain, range of motion, and stability. The mean knee joint WOMAC scores in the medium and high-dose groups showed a decrease compared to baseline, decreasing from 14.94 ± 1.83 baseline to 10.81 ± 5.29 at week 48. This mainly indicated improvements in joint function and pain relief.

B-scan ultrasonography for patients in all dose groups showed that some patients experienced a reduction in joint effusion. Data from meniscus MRI images at week 1, 4, 8, 12 and 48 after IMRCs injection demonstrated that 6 (33.33%), 10 (55.56%), 11 (61.11%), 15 (83.33%) and 14 (81.25%) patients had healed meniscus.

The serial MRI images of Subject No. 6 show continuous improvement in the meniscus posterior angle matrix signal. Before treatment, the MRI T2 scan revealed areas of high signal within the meniscus posterior angle, which were indicative of a meniscus lesion. After treatment, progressive signal improvement was observed at 1 week, 3 months, and 6 months following ZH901 administration. By the final MRI scan (6 months post-treatment), the original lesion of some patients had almost completely disappeared from the radiological images.

Conclusions. ZH901 was well tolerated among patients with meniscus injuries when administered through intra-articular knee joint injection. Preliminary efficacy data showed that ZH901 relieved joint pain and improved joint function, warranting further clinical study.

Clinical Development Plan

We have implemented a strategy to rapidly advance the clinical development of ZH901 in areas with significant unmet needs, followed by a focus on major indications. Regarding AE-ILD, our Phase II clinical trial began in August 2023, with patient enrollment targeted for completion by the first half of 2025. We also intend to engage with the CDE and initiate a registrational Phase III clinical trial for AE-

ILD in the second half of 2025. For aGVHD, our Phase II clinical trial commenced in September 2023. We plan to seek regulatory clearance from the CDE, and initiate a registrational Phase III trial by 2025. For meniscus injuries, we plan to engage with the CDE for regulatory clearance to conduct a Phase II/III clinical trial of ZH901 and to initiate the Phase II/III trial in 2025. Regarding ARDS, we aim to complete the Phase II clinical trial for ARDS in 2026.

Licenses, Rights and Obligations

We have the global rights to develop and commercialize this product candidate. The intellectual property rights related to the differentiation pathway of ZH901 were in-licensed the from our Strategic Collaborators.

Material Communications with Competent Authorities

The material communications with the relevant competent authorities on all ongoing and completed clinical trials in respect of the Core Product ZH901 in China are as follows:

- In February 2020, we received the IND approval for conducting clinical trials of ZH901 for the treatment of ARDS caused by COVID-19;

- In April 2020, we received regulatory clearance for conducting clinical trials of ZH901 for the treatment of pulmonary fibrosis caused by COVID-19;

- In September 2021, we received the IND approval for conducting clinical trials of ZH901 for the treatment of meniscus injuries;

- In November 2021, we submitted to the NMPA clinical data from both the Phase I/II clinical trial of ZH901 in patients with ARDS caused by COVID-19 and the Phase II clinical trial of ZH901 in patients with pulmonary fibrosis caused by COVID-19. In February 2022, we received the IND approval for conducting Phase II clinical trials of ZH901 for the treatment of ARDS;

- In February 2023, we submitted to the NMPA clinical data from both the Phase I/II clinical trial of ZH901 in patients with ARDS caused by COVID-19 and the Phase II clinical trial of ZH901 in patients with pulmonary fibrosis caused by COVID-19. In April 2023, we received the IND approval for conducting Phase II clinical trials of ZH901 for the treatment of AE-ILD; and

- In February 2023, we submitted to the NMPA clinical data from both the Phase I/II clinical trial of ZH901 in patients with ARDS caused by COVID-19 and the Phase II clinical trial of ZH901 in patients with pulmonary fibrosis caused by COVID-19. In April 2023, we received the IND approval for conducting Phase II clinical trials of ZH901 for the treatment of aGVHD.

We have not received any concerns or objections from the NMPA related to our clinical development plans as of the Latest Practicable Date.

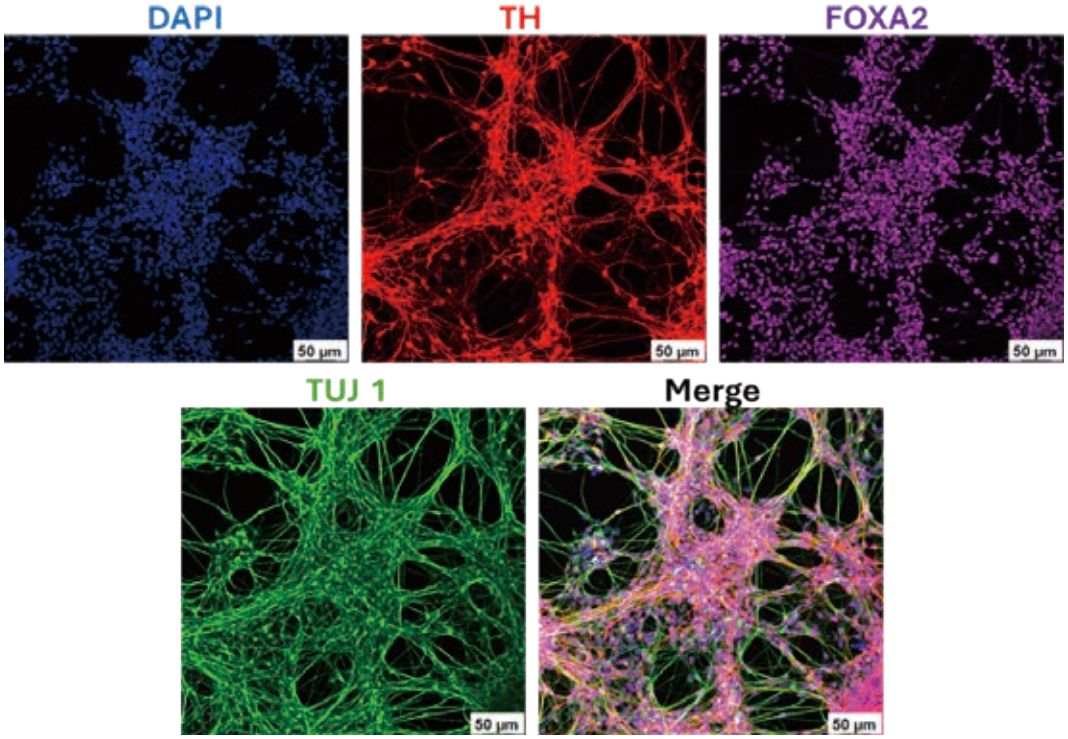
WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET ZH901 SUCCESSFULLY.

Key Product: ZH903 – hESC-Derived mDAP Cell Therapy Product Candidate

ZH903 is a single cell line sourced, hESC-derived mDAP cell therapy product candidate for the treatment of Parkinson's disease. After being transplanted into the striatal area of the midbrain of patients with Parkinson's disease through brain stereotaxy, mDAP cells can survive and differentiate into mature DA neurons *in vivo*, secrete DA neurotransmitters, and significantly increase dopamine in the striatum area. As of the Latest Practicable Date, ZH903 targeting Parkinson's disease was in the IIT stage.

The differentiation pathway for mDAP cells was verified through pre-clinical studies. Pre-clinical studies showed that, when grown in neural stem cell medium, mDAP cells can continue to mature *in vitro*, expressing the DA neuron-specific marker TH, the floor plate cell marker FOXA2, and the neuronal marker TUJ 1. Staining of DAPI (blue) for nuclear acid indicated robust and live mDAP cells were tightly connected.

mDAP Derived from hESCs

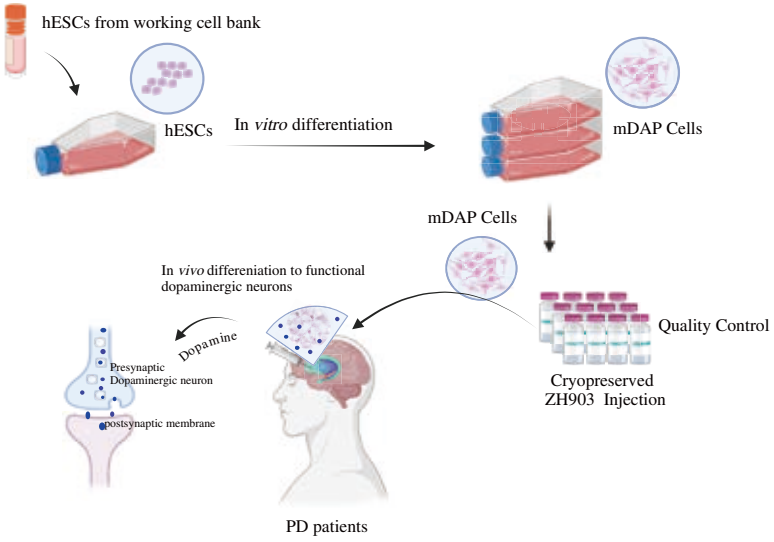


Source: Company data

Mechanism of Action

Parkinson's disease is a neurodegenerative disease characterized by the DA neurons in the substantia nigra and loss of DA transmission in the striatum, thus making cell transplantation an effective treatment strategy. DA neurons of the ventral midbrain play vital roles in the regulation of voluntary movement, emotion and reward. They are divided into the A8, A9 and A10 subgroups. The degeneration of DA neurons in the nigra pars and the decrease of dopamine secretion in the corpus striatum are common in the majority of patients with Parkinson's disease with the onset of motor dysfunction, suggesting high severity of disease progression even at the first initial diagnosis.

The hESC-derived mDAP cells are a type of precursor cells that can mature into neurons capable of synthesizing and releasing dopamine neurotransmitters. When transplanted into the striatum of patients with Parkinson's disease via stereotactic surgery, these precursor cells can survive long-term at the transplant site, differentiate into mature DA neurons *in vivo*, secrete dopamine neurotransmitters, significantly increase the dopamine neurotransmitter content in the striatum, and have the potential to markedly improve the symptoms of Parkinson's disease and even cure it.



Source: Company Data

Competitive Advantages

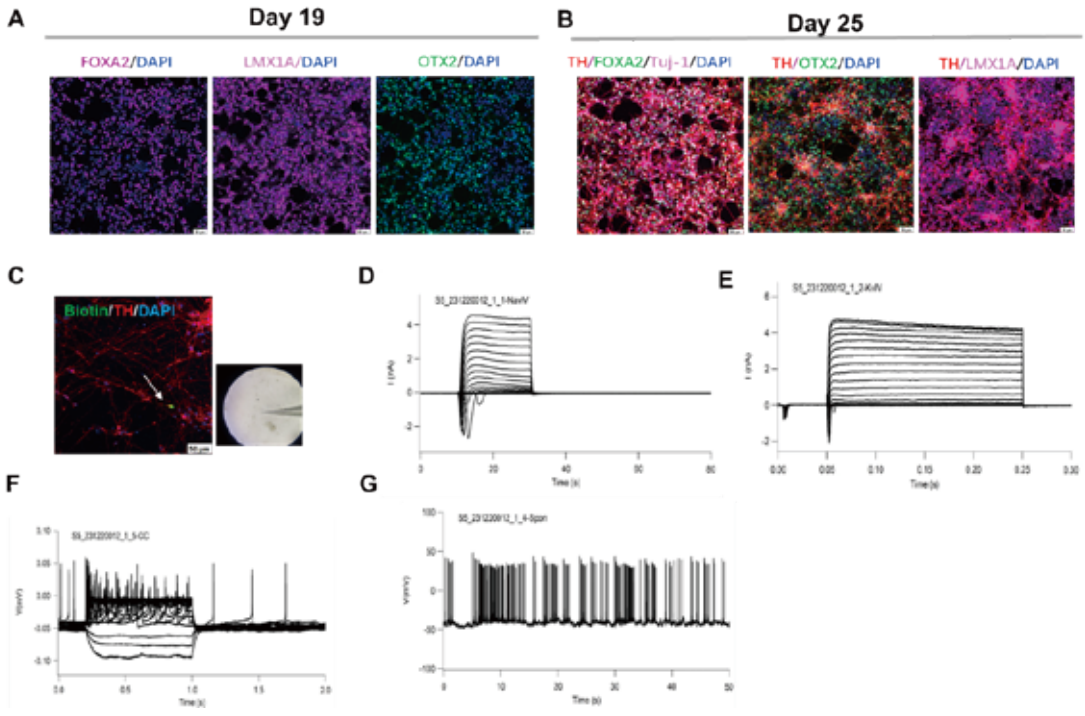
Current clinical treatments for Parkinson's disease primarily include carbidopa/levodopa, MAO-B inhibitors, and non-Ergot dopamine agonists. Prolonged use and higher doses of levodopa result in dyskinesias and motor symptom fluctuations over time. Deep brain stimulation surgery is performed for patients who do not achieve adequate control with levodopa therapy. Deep brain stimulation is most effective for significant motor fluctuations, dyskinesias, and tremors. However, it is ineffective for cognitive and psychiatric dysfunctions. None of the aforementioned treatments can regenerate neuronal cells or alter the course of the disease, making stem cell replacement therapy a potential option to address this unmet medical need.

According to *in vivo* experimental data from a monkey model of Parkinson's disease, our mDAP cells derived from hESCs were well tolerated post-transplantation in animals, with no tumorigenesis or other serious adverse reactions. Furthermore, these cells have effectively ameliorated symptoms in some Parkinsonian animals. Ongoing IIT of ZH903 striatal transplantation in enrolled patients has shown a lack of severe adverse reactions, including bleeding or tumorigenesis, with most patients experiencing improvements in motor function, alleviation of non-motor symptoms, extension of on-time duration, and enhancements in sleep and quality of life.

Summary of Pre-Clinical Studies

In vitro studies showed that mDAP cells positively expressed midbrain floor plate markers FOXA2, LMX1A and OTX2 on day 19. The further differentiated cells positively expressed markers of neuronal and DA neurons, such as TUJ1, FOXA2, LMX1A, OTX2 and TH on day 25. The results also demonstrated that the matured DA neurons had electrophysiological functions.

***In Vitro* Study of mDAP Cells**



Notes:

(A-B) Immunofluorescence images of neural markers on day 19, and day 25;

(C) Morphology and Immunofluorescence images of DA neuron markers(i.e. TH and Biotin) recorded in electrophysiological analyses;

(D-E) Electrophysiological analyses of DA neurons on day 52;

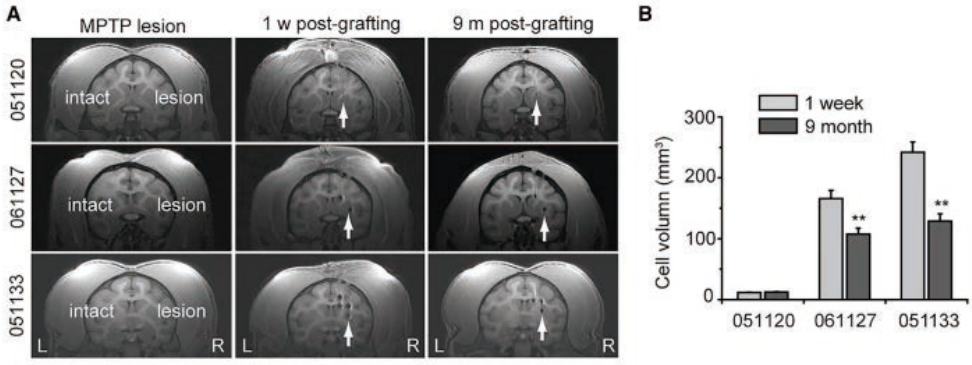
(F) Representative action potentials recorded from DA neurons further differentiated from mDAP cells; and

(G) A representative trace of spontaneous action potentials sensitive.

Source: Company data

The survival and maturation of mDAP cells derived from hESCs were tested *in vivo* in monkeys through transplantation. To assess the long-term survival and functions of the mDAP cells *in vivo*, mDAP cells were transplanted into monkeys that had lesions caused by MPTP. Grafted cells were observed at the transplanted site by nuclear magnetic resonance. Nine months after transplantation, brain tissues of the monkeys were collected for analysis. Grafted neurons were labeled by Perl's Prussian blue staining. Robust survival and migration of dopamine neurons in the host brains were observed.

The Long-Term Survival of Transplanted hESC-Derived mDAP



Notes:

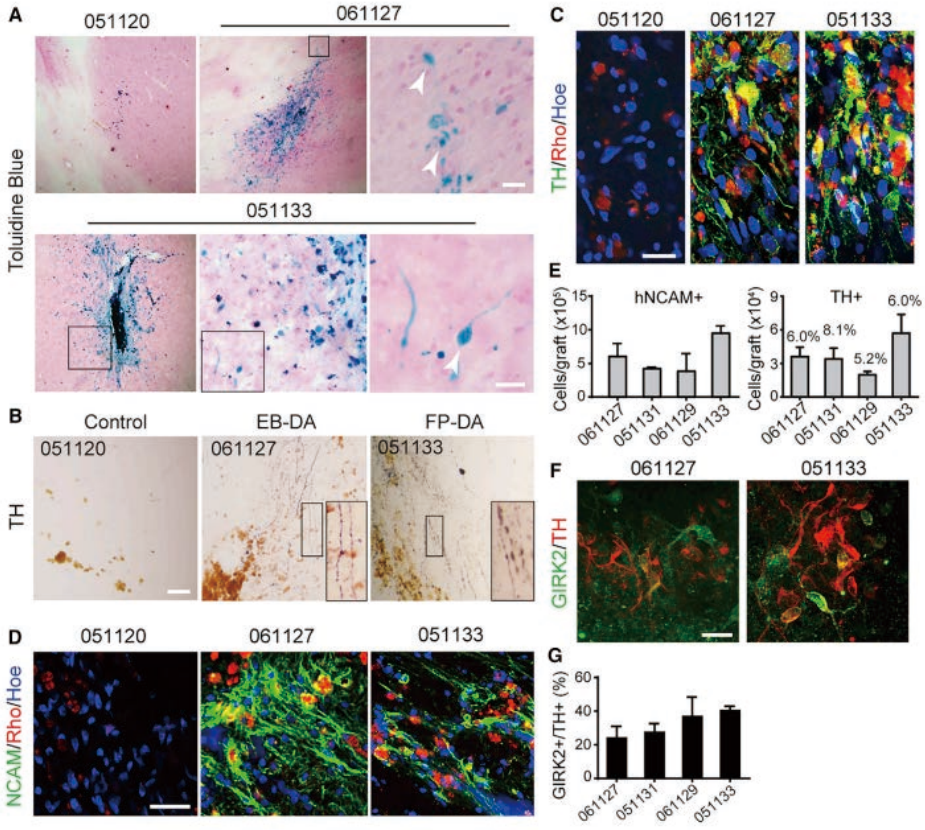
(A) Magnetic resonance imaging ("**MRI**") scans of monkeys #051120 (control group), #061127 (EB-DA group), and #051133 (FP-DA group) implanted with day-42 FP-DA after MPTP lesion (left), one week post grafting (middle), and nine months post grafting (right). The arrows indicate the grafts. EB-DA: mDAP cells differentiated using the embryoid body formation method. FP-DA: mDAP cells differentiated using the floor plate induction method (the same technical route used in the production of ZH903);

(B) Changes in the graft volumes of monkeys (#051120, #061127, and #051133) after cell transplantation for one week and nine months estimated by MRI. Data are presented as mean ± SEM, n = 3. **p < 0.01.

Source: Literature review

To investigate whether the grafted mDAP cells could further differentiate into mature and functional neurons in brains of the monkeys with Parkinson's disease, brain tissues were examined using Perl's Prussian blue staining method or antibodies against markers of neuronal cells or DA neurons. The results showed that DA neuron cells were found to be with typical neuron morphology (stained by Toluidine blue) in the monkeys that had received cells. Histological analysis with DAB staining for TH showed very few TH+ neurons and fibers at the sites of injection in the monkeys that did not receive cells. The proportion of TH+ cells among survival cells varied between 5.2% and 8.1%. In addition, Girk2-positive DA neurons were also detected in the grafts, indicating the presence of A9 DA neurons.

Phenotypes of Grafted hESC-Derived DA Neurons Nine Months Post Grafting in MPTP-Induced Monkeys with Parkinson's Disease



Notes:

(A) Grafted neurons were labeled by toluidine blue staining. Robust survival and migration of DA neurons in the host brains were observed. The boxed area in each image is shown at a higher magnification on the right. Arrowheads indicate grafted neurons;

(B) Histological analysis using DAB-developed immunohistochemistry for tyrosine hydroxylase ("**TH**") revealed numbers of TH+ neurons dispersed throughout the graft, which is indistinguishable between the EB-DA (monkey ID:061127) and FP-DA (monkey ID:051133) groups;

(C and D) Expression of TH (green) and human-specific neural marker NCAM (green) co-localized with rhodamine (red);

(E) The number of hNCAM+ cells and TH+ cells surviving in each monkey. Data are presented as mean ± SEM, n = 3;

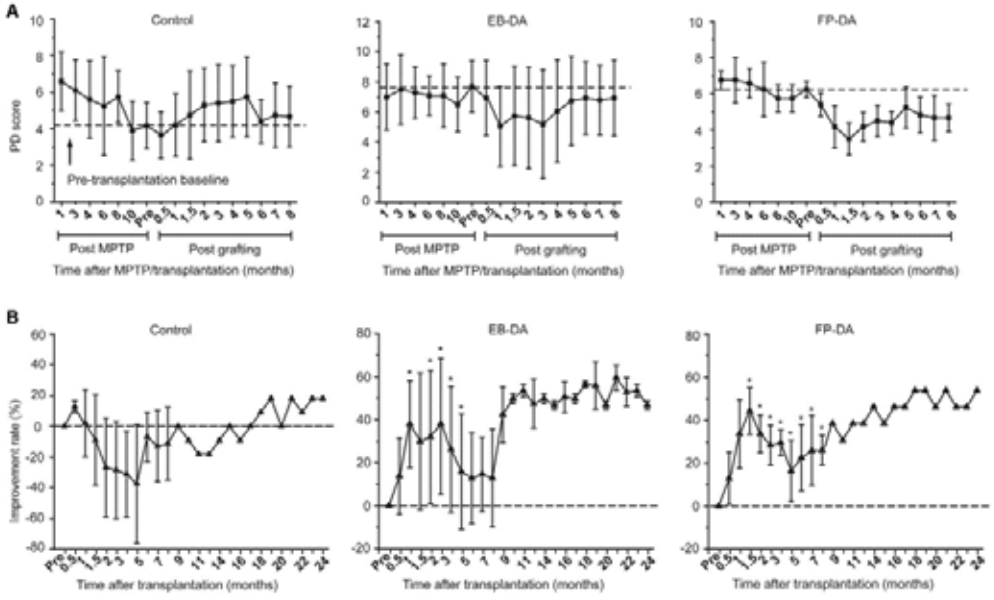
(F) Immunostaining for TH (red) and co-expression (green) with GIRK2; and

(G) The percentage of GIRK2+ cells per TH+ DA neuron. Data are presented as mean ± SEM, n = 3.

Source: Literature review

To examine behavioral improvements, two monkeys that exhibited the greatest behavioral improvement post mDAP cell transplantation were further investigated. Levels of dopamine and 5-hydroxytryptamine (5-HT, control) were measured using high-performance liquid chromatography. In all groups, dopamine was readily detected in the putamen and caudate nucleus in brain tissues from the treatment side. Dopamine was not detected in samples from the lesion side of the brain in control group. An obvious increase in dopamine was observed in the site of the putamen in the monkey that received FP-DA transplantation.

Behavioral Evaluation in Monkeys Post Transplantation of EB-DA and FP-DA Neurons



Notes:

(A) Time course of changes in motor symptom scores of the monkeys injected with culture medium (control group, n = 3), EB-DA neurons (EB-DA group, n = 4), and FP-DA neurons (FP-DA group, n = 3) from MPTP induction to eight months after transplantation;

(B) Behavioral improvement rate of the three groups after transplantation (0 to 24 months), which revealed a significant increase in the two groups that received EB-DA or FP-DA neurons. Dotted lines are pre-transplantation baseline scores 11 months after MPTP induction. Significance compared with control group: *$p < 0.05$. Data are represented as means ± SEM (n = 3 animals for the control and FP-DA groups, 4 animals for the EB-DA group).

Source: Literature review

Licenses, Rights and Obligations

We have the global rights to develop and commercialize this product candidate. The intellectual property rights related to the differentiation pathway of ZH903 were in-licensed from the Strategic Collaborators.

Material Communications with Competent Authorities

We have not received any concerns or objections from the NMPA related to submitting the IND applications or obtaining IND approvals of ZH903 as of the Latest Practicable Date.

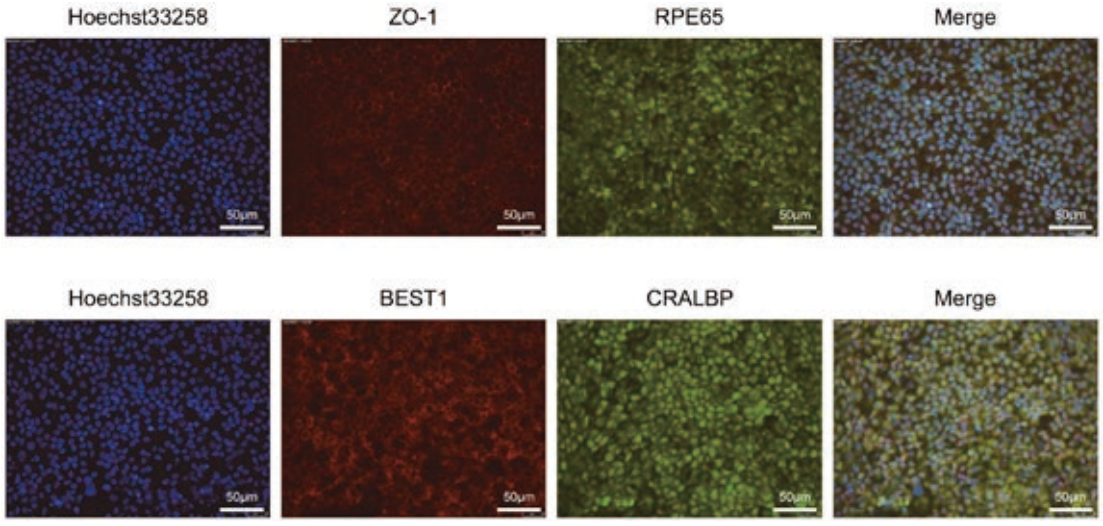
WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET ZH903 SUCCESSFULLY.

Key Product: ZH902 – hESC-Derived RPE Cell Therapy Product Candidate

ZH902 is a single cell line sourced, hESC-derived cell therapy product candidate for the treatment of degenerative retinal diseases, such as dry AMD. When implanted into the subretinal space of patients, RPE cells can replace dysfunctional and lost RPE cells and potentially improve vision in the patients. According to *in vitro* studies, RPE cells can release neurotrophic factors to improve the function of dysfunctional photoreceptor cells. As of the Latest Practicable Date, ZH902 targeting dry AMD was in the IIT stage.

The differentiation of RPE cells was verified through pre-clinical studies. hESC-derived RPE cells were differentiated and cultured for over 100 days in serum-free medium. The tight junction RPE marker ZO-1(red), mature RPE markers BEST1 (red), CRALBP (green) and RPE65 (green) were highly expressed. Staining of Hoechst 33258 (blue) for nuclear acid indicated robust and living RPE cells were tightly connected.

RPE Derived from hESCs



Source: Company data

Mechanism of Action

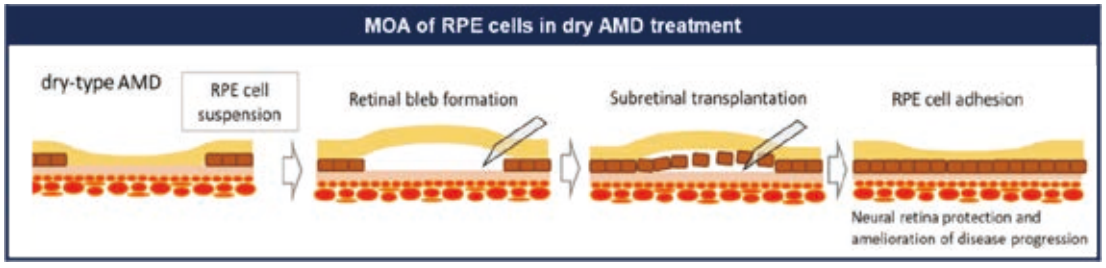
RPE cells form a monolayer on Bruch's membrane and play various roles in the retina and choroid, maintaining homeostasis of the ocular system. The pigmented monolayer absorbs the entered light and

alleviates oxidative stress. Tight junctions in the RPE control the molecular transportation by forming a blood-retinal-barrier. The RPE also removes molecular wastes from photoreceptors to support the visual cycle. Furthermore, the RPE secretes several types of growth factors and provides ocular immunity. Therefore, RPE cells play a crucial role in supporting and maintaining the health of photoreceptor cells.

hESCs can be differentiated into RPE cells for subretinal space transplantation to restore RPE function. These transplanted RPE cells can provide nutritional support, phagocytosis of the photoreceptor outer segments, and maintain the blood-retinal barrier, making them promising candidate for the treatment of degenerative retinal diseases.

Dry AMD

Dry AMD is a serious neurodegenerative disease. Transcriptional profiling has shown that diseased RPE exhibits increased apoptosis, autophagy, and endoplasmic reticulum stress levels than normal cells. Other studies have shown that retinopathy is associated with disrupted cellular homeostasis and increased apoptosis, endoplasmic reticulum stress, and autophagy. Moreover, RPE cell death via apoptosis and endoplasmic reticulum stress has been observed in dry AMD and other retinal degenerative diseases. In addition, compared to RPE cells cultured from normal donors, RPE cells from dry AMD donors showed increased sensitivity to oxidative stress and decreased mitochondrial activity. The impaired autophagy function of dry AMD donor RPE was also demonstrated through measurement of the ratio of autophagy markers LC3-II/LC3-I. These findings indicate a potential pathological mechanism for dry AMD through abnormal apoptosis and autophagy, thereby providing new targets for novel therapeutic strategies. Accordingly, implanting RPE cells in the subretinal space of the patient can achieve potential therapeutic effect for dry AMD, because the transplanted RPE can replace the injured and lost RPE, reconstruct the structure and function of the RPE, and improve the patients' vision.



Source: Literature Review; Frost & Sullivan Analysis

Competitive Advantages

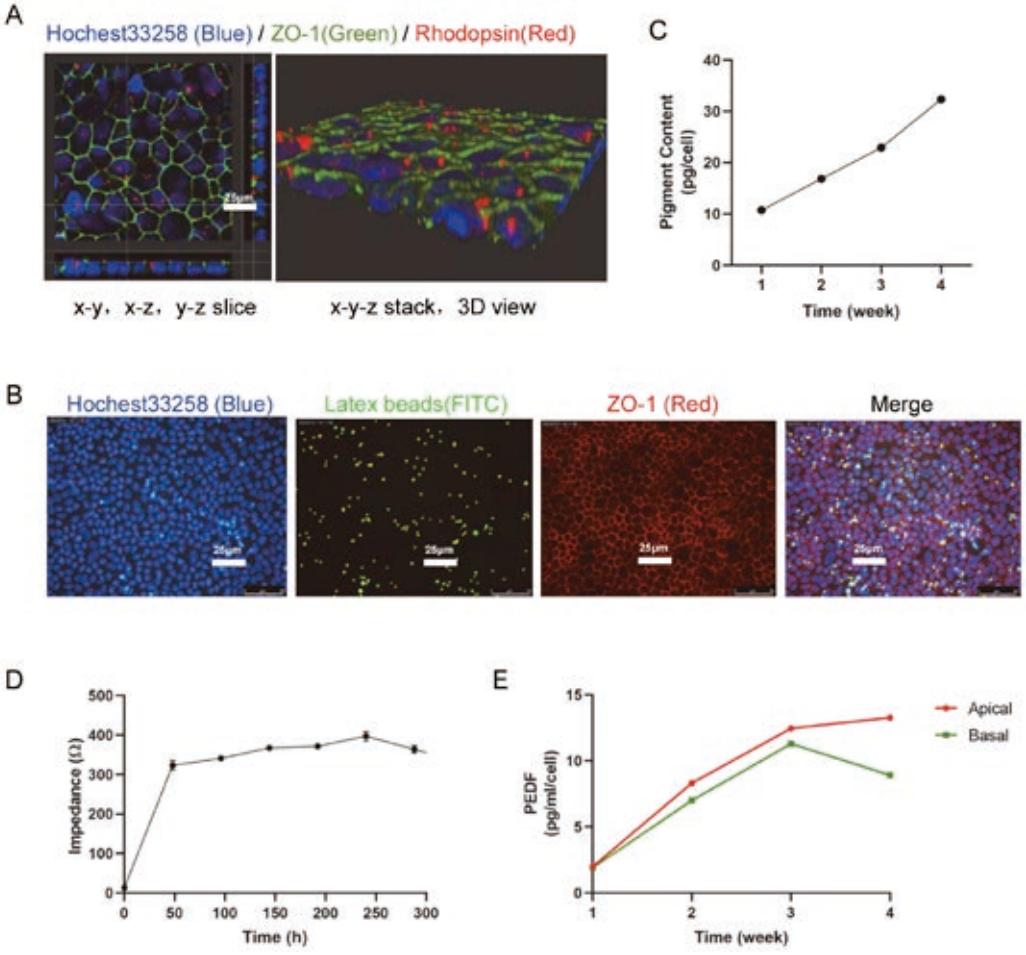
The FDA has approved the complement C3 cyclic peptide inhibitor SYFOVRE for the treatment of dry AMD, making it the first drug approved for this indication. However, it only suggests a delay in disease progression. Aside from this, the guidelines only recommend the use of antioxidant vitamins and mineral supplements, along with regular monitoring and follow-up. Therefore, there is an urgent need to develop new and effective treatments for dry AMD.

ZH902 can potentially address this medical need. According to *in vitro* studies, RPE cells can release neurotrophic factors to restore the phagocytosis, barrier, and transport functions of the RPE monolayer, and maintain the visual cycle. According to the results of an ongoing IIT, after a follow-up period of at least one year, ZH902 has shown encouraging safety and tolerability in the treatment of dry AMD. Some patients experienced improvements in vision or an increase in retinal and choroidal thickness. Long-term survival of the transplanted cells was observed in all patients who received the transplantation.

Summary of Pre-Clinical Studies

To determine the function of hESC-derived RPE cells, we examined their phagocytosis function, pigment secretion, barrier function, and the secretion of PEDF in the basal and apical compartments of a Transwell plate. The phagocytosis assay results indicated that the RPE cells were capable of phagocytosing photoreceptor outer segments and fluorescent microspheres. As the culture time of the RPE cells increased, pigment and PEDF secretion also increased, and transepithelial electrical resistance gradually rose. Moreover, in the Transwell culture system, PEDF exhibited polarized secretion. RPE cells have the potential to establish a robust barrier function after 48 hours of culture.

Functions of hESC-Derived RPE Cells



Notes:

(A) Confocal microscopy of phagocytosis assay showed orthogonal and 3D images of internalized photoreceptor outer segments ("**POS**") in hESC-derived RPE cells on culture plate. Rhodopsin (red) indicates POS, ZO-1 (green) indicates cell morphology, and nuclei are stained with Hoechst 33258 (blue);

(B) Fluorescence staining for hESC-derived RPE cells phagocytose latex beads (FITC), nuclei stained with Hoechst 33258 (blue) and ZO-1 (red), illustrating cell morphology;

(C) Pigment secretion by hESC-derived RPE cells continuously cultured for four weeks;

(D) Transepithelial electrical resistance ("**TEER**") of hESC-derived RPE cells demonstrating clear barrier function as early as two days post-culture;

(E) The ELISA detection of PEDF secretion by hESC-derived RPE cells cultured in Transwell for a few weeks. "Apical" and "basal" describe the two surfaces of a cell layer, with the apical side showing higher detection results than the basal side, indicating the polar secretion characteristic for PEDF by RPE cells.

Source: Company data

Licenses, Rights and Obligations

We have the global rights to develop and commercialize this product candidate. The intellectual property rights related to the differentiation pathway of ZH902 were in-licensed from our Strategic Collaborators.

Material Communications with Competent Authorities

We have not received any concerns or objections from the NMPA related to submitting the IND applications or obtaining IND approvals of our ZH902 as of the Latest Practicable Date.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET ZH902 SUCCESSFULLY.

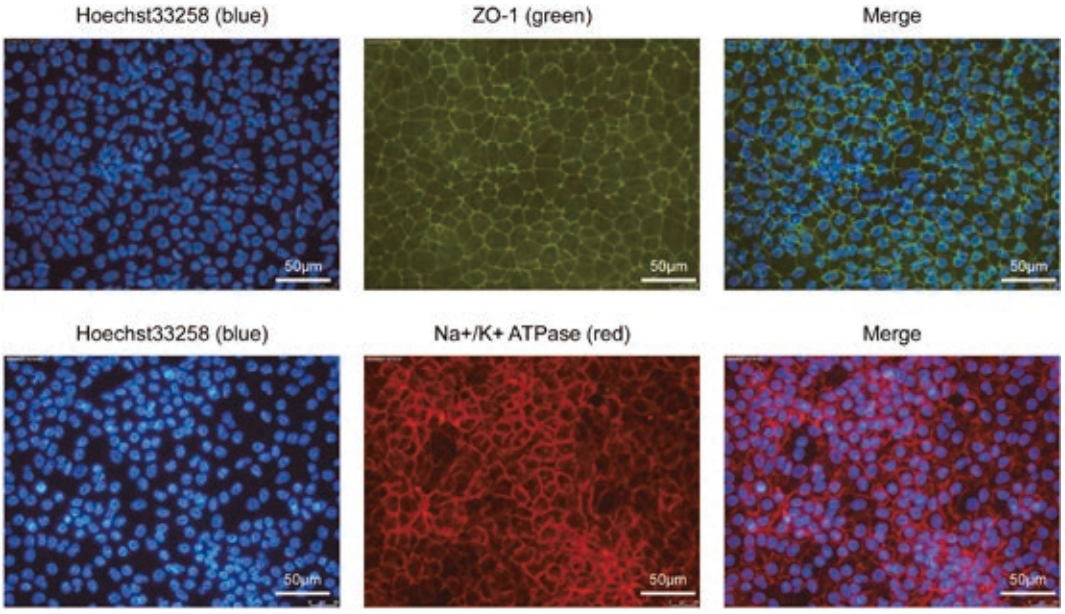
Key Product: ZH906 – hESC-Derived CEnC Therapy Product Candidate

ZH906 is a single cell line sourced, hESC-derived cell therapy product candidate for the treatment of moderate-to-severe corneal endothelium decompensation, Fuchs endothelial corneal dystrophy, or loss of corneal transparency and induce blindness after trauma or in aging. When patients received intracameral injection, injected CEnCs can replace dysfunctional and lost CEnCs, which can adhere to the posterior surface of the cornea, establishing intercellular connections and performing barrier and pump functions. As of the Latest Practicable Date, ZH906 targeting corneal endothelium decompensation was in the pre-clinical stage.

In our studies conducted as of date, we have successfully obtained candidate CEnCs with high purity and developed an understanding of their differentiation route. We have also tested the transplant therapeutic effect of CEnCs-based cell therapy products in an animal study. Our next step is to further optimize the differentiation programs and investigate the *in vivo* safety and efficacy of CEnCs-based cell therapy products for the treatment of corneal endothelium decompensation.

We differentiated CEnCs from hESCs and cultured them in serum-free medium. *In vitro* results showed that the CEnC tight junction and barrier function marker ZO-1 (green) and the pump function marker Na+/K+ ATPase (red) were highly expressed. Staining of Hoechst 33258 (blue) for nuclear acid indicated robust and living CEnCs were tightly connected.

CEnC Derived From hESCs



Source: Company data

Mechanism of Action

Vision is fully dependent on a transparent cornea, which is essential for the formation of a focused image on the retina. The human cornea is arranged into well-organized layers, and each layer plays a significant role in maintaining the transparency and viability of the tissue. The corneal endothelium consists of a monolayer of flattened cells facing the anterior chamber of the eye. Its main role is to maintain corneal transparency by ensuring stromal dehydration, a process achieved through ionic pumps and ion transporters. Human corneal endothelial cells are believed to be unable to proliferate *in vivo* and are arrested in the G1-phase of the cell cycle. If cells degenerate, neighboring cells become enlarged and migrate in order to maintain the integrity of the monolayer. The consequence of this poor cell density is a lack of stromal dehydration and the loss of corneal transparency, which leads to blindness. Such endothelial failure can result from several conditions such as Fuchs endothelial corneal dystrophy or surgical trauma secondary to cataract surgery. There are currently no efficient therapeutic alternatives to corneal transplantation for corneal endothelial failure.

A high endothelial cell density is needed to maintain their pump-leak equilibrium. When endothelial density diminishes to under a critical value (approximately 400 to 700 cells/mm^2) following diseases or injury, the normal barrier and pump functions of the endothelium are no longer sufficient to maintain the transparency of the cornea. This irreversible decompensation results in corneal edema and vision loss. When patients receive intracameral injection, CEnCs injected can replace dysfunctional and lost CEnCs, which can adhere to the Descemet's membrane of the cornea, establishing intercellular connections and performing barrier and pump functions.

Competitive Advantages

The CEnC layer is crucial for maintaining corneal clarity and forming a clear image on the retina. In adults, CEnCs are non-regenerative. Dysfunction or damage to this layer can lead to corneal edema. As corneal edema progresses, it can cause glare, reduced vision, and discomfort due to bullae, leading to severe pain. Long-term corneal edema can result in complications, including corneal neovascularization, infection, scarring, and even blindness.

The primary treatment for corneal endothelium decompensation is corneal transplantation, where the damaged tissue is replaced with healthy donor tissue. However, rejection reactions or complications following corneal endothelium transplantation are common, and the technique itself is complex, limiting the number of hospitals capable of performing it. Additionally, the global supply of donor corneas is increasingly limited, making the need for alternative treatment options urgent. Although clinical studies have shown that cultivating human corneal endothelial cells from donor corneas can effectively improve vision and is safe, the proliferation of these cells still depends on donor material.

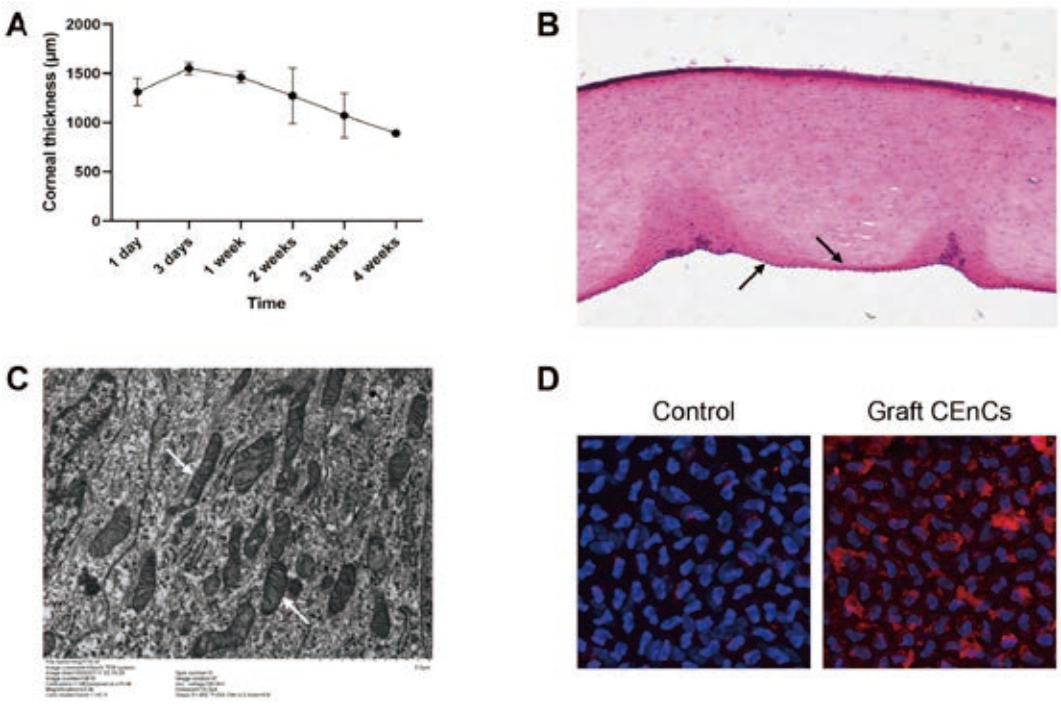
hESC-derived CEnCs can potentially address the issue of donor deficiency and dependency, providing a safe and effective treatment option. These transplanted CEnCs can attach to the posterior surface of the cornea, establish intercellular connections, and perform barrier and pump functions. We have successfully obtained the differentiation route for corneal endothelial cells and the candidate CEnCs with high purity. Through *in vivo* experiments using an animal model of corneal endothelial injury, the transplanted hESC-derived CEnC showed good adhesion capability, and the corneal edema significantly improved. These encouraging *in vivo* results suggested that the implanted cells may have exhibited barrier function and Na+/K+ ion pump function (ATPase exhibited positive), as observed in *in vitro* studies.

Summary of Pre-Clinical Studies

To evaluate the *in vivo* functionality of differentiated CEnCs, we transplanted these cells into a rabbit model with corneal endothelium scraping. The transplanted corneas were monitored for four weeks for signs of edema, with corneal thickness precisely measured using OCT on day 1, day 3, and week 1, week 2, and week 4 post-transplantation. At the end of this period, the corneal endothelium from the rabbits was also evaluated by electron microscopy, HE staining, and immunofluorescence analysis to confirm the presence of transplanted human CEnCs.

The results showed that the differentiated CEnCs led to a reduction in corneal thickness and a progressive resolution of edema starting on day 3 post-injection, ultimately resulting in corneal transparency. Electron microscopy revealed a high density of mitochondria within the corneal endothelial cells. HE staining indicated that the CEnCs were able to adhere to the corneal Descemet's membrane. These findings suggested that the cells were functioning as mature CEnCs *in vivo*. Additionally, the successful detection of human-derived cells within the corneal endothelium confirmed that these cells originated from hESCs differentiation rather than rabbit endogenous proliferation.

hESC-Derived CEnCs Rescue the Destroyed Rabbit Corneal Endothelium



Notes:

(A) OCT results showing corneal thickness after transplantation of hESC-derived CEnCs;

(B) HE staining of isolated CEnCs from rabbit corneas four weeks post-transplantation. Black arrows indicate the monolayer of CEnCs;

(C) Electron microscopy of isolated CEnCs from rabbit corneas four weeks post-transplantation. White arrows highlight the mitochondria;

(D) Immunofluorescence analysis of isolated CEnCs from rabbit corneas: grafted CEnCs stained with DAPI (blue) and anti-human nuclei antibody (red); rabbit control stained with DAPI (blue) only.

Source: Company data

Licenses, Rights and Obligations

ZH906 was developed by us, and we maintain the global rights to develop and commercialize this product candidate.

Material Communications with Competent Authorities

We have not received any concerns or objections from the NMPA related to submitting the IND applications or obtaining IND approvals of our ZH906 as of the Latest Practicable Date.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET ZH906 SUCCESSFULLY.

COLLABORATION AGREEMENTS

Collaboration Arrangement With the Strategic Collaborators

From May 2019 until December 2023, we entered into a series of collaboration agreements (the "**Previous Agreements**") with our Strategic Collaborators. In September, 2024, we entered into a supplemental agreement (the "**Supplemental Agreement**") with the Strategic Collaborators amending the Previous Agreements (together, the "**Agreements**"). Salient terms of the Agreements are summarized as below:

Rights Grant	**hESC-Related Rights**	• Pursuant to the Agreements, the Strategic Collaborators granted us sole rights to use two hESC lines worldwide generated by them to research, develop, manufacture, offer for sale, and commercialize stem cell-derived therapeutic products for the treatment of all potential indications.
	Rights of Specific Indications	• Pursuant to the Agreements, the Strategic Collaborators granted us the sole rights under the patent rights controlled by the Strategic Collaborators related to M cells, mDAP cells and RPE cells (collectively referred to as "**Collaborative Cells**") derived from hESCs worldwide to research and develop, manufacture, offer for sale, and commercialize relevant stem cells-derived therapeutic products for the treatment of all potential indications ("**Therapeutic Products**"). All the patent rights granted to us by the Strategic Collaborators pursuant to the Agreements are hereby referred to as "Intellectual Property Rights." "Collaborative Cells" exclusively refer to cells that have not undergone any form of modification. Modifications are defined broadly to include, but are not limited to, genetic or epigenetic alteration, organelle replacement, cell fusion, drug conjugation, and drug loading.

- The Strategic Collaborators confirmed that they have not engaged in any commercialization activities involving Collaborative Cells based on Strategic Collaborators' Intellectual Property Rights licensed to us for the treatment of any indications or collaborated with any third parties to do the same.

- The Strategic Collaborators further agreed that they will not engage in any commercialization activities of Collaborative Cells for the treatment of cell-based therapies and the commercialization of these cell therapies for various indications, unless collaborating with us.

- For the avoidance of doubt, pursuant to the Agreements, the Strategic Collaborators did not grant us the commercialization rights for cell derivatives of Collaborative Cells. Cell derivatives refer to subcellular fractions and extracellular components such as the nucleus, mitochondria, Golgi apparatus, and exosomes.

Joint Steering Committee

- Pursuant to the Agreements, a joint steering committee shall be established to manage and coordinate issues arising from the Agreements. The responsibilities of the joint steering committee include deciding whether any projects under the Agreements shall be carried out by us alone or in collaboration with the Strategic Collaborators, as well as supervising, reviewing, and approving Therapeutic Products' clinical development timeline, progress reports, and results thereof.

- The joint steering committee shall consist of six representatives, three appointed by the Strategic Collaborators and three appointed by us. Each representative shall cast one vote, and the final decision shall be made by a majority vote. In the event of a deadlock, the president of the joint steering committee, who is appointed by us, shall have the right to make the final decision.

- If we decide to terminate the development of a Therapeutic Product under the Agreements, we shall inform the Strategic Collaborators within three days.

Allocation of Responsibilities

- The Strategic Collaborators and we mutually agreed upon and established clinical development timelines to promote the development of the Therapeutic Products.
- If there is any delay in meeting a certain clinical development milestone that is not caused by us, we shall have the right to adjust the timeline and inform the joint steering committee within three days.
- We are responsible for the development of Therapeutic Products. We have the right to independently decide on matters related to submitting IND/BLA applications to the regulatory authorities in China or abroad, and we will serve as the marketing authorization holder. The Strategic Collaborators shall make reasonable efforts to provide necessary assistance to us regarding the aforementioned matters, if needed.

Payments

- Pursuant to the Agreements, we are required to make various payments to the Strategic Collaborators, including upfront payments, research payments, milestone payments, and royalty payments. Upfront payments are flat fees paid in installments according to the mutual agreement between the Strategic Collaborators and us. Research payments shall be made if any new project is initiated pursuant to the Agreements. Milestone payments shall be made when a Therapeutic Product obtains marketing approval. Royalty payments will be due when the sales of a Therapeutic Product for a specific indication exceed a certain threshold, at which point we are obligated to pay a mid single-digit percentage of sales as royalties.
- As of the Latest Practicable Date, we have made payments of RMB145 million to the Strategic Collaborators. We are obligated to pay RMB230 million in installments over the coming years.

Intellectual Property Arrangements	• The Strategic Collaborators shall make all necessary efforts to maintain the validity of the Intellectual Property Rights (including, but not limited to, paying annual patent fees) and to protect them from infringement (including, but not limited to, handling any disputes or litigations related to the Intellectual Property Rights). • For inventions made during the performance of the Agreements, each party shall be the sole owner of the intellectual property rights solely made by itself, and such rights are not subject to the terms of the Agreements.
Term and Termination	• Unless terminated earlier in accordance with their terms, the Agreements will remain in effect until all obligations are fully performed. The Strategic Collaborators are entitled to terminate the Agreements in the event of our bankruptcy.

RESEARCH AND DEVELOPMENT

R&D Team

As of the Latest Practicable Date, we have established a dedicated in-house R&D team of over 60 members. More than 50% of the team members hold a master's or doctoral degree. The functions of our integrated R&D team span the entire spectrum of cell banks establishment and maintenance, functional cell discovery, cell preparation process development, formulation and process development, analytic science and method development, and pre-clinical and clinical development in the cell therapy R&D life cycle. All our core R&D team members have materially contributed to the R&D direction and strategy of our pipeline products, and have been with us throughout the Track Record Period and up to the Latest Practicable Date.

Our R&D team is led by Dr. Yu Alex ZHANG, our chief executive officer, who brings approximately 30 years of experience in scientific research, research and development of pharmaceutical products, and business strategies, operations and management. He is also an expert on the Standards Committee of the China Society of Cell Biology. Previously, Dr. Zhang held key positions such as the Head of China R&D at Sanofi, the chief scientific officer at the Asia-Pacific Hub of Sanofi, and a professor and director of the Cell Therapy Center of Xuanwu Hospital of the Capital Medical University (首都醫科大學宣武醫院). He also served as an expert to the 863 Program of "stem cell and tissue engineering" in the Eleventh Five-Year Plan ("十一五"計劃), the project leader of a 973 Program of

"basics and clinical application of directed differentiation of stem cells" of the PRC Ministry of Science and Technology, and an expert committee of a National Key Technologies R&D Program of China. Dr. Zhang earned his Ph.D. from Northwestern University and conducted postdoctoral research at Stanford University.

Dr. JIA Yi, another key member of our R&D team, serves as our Chief Medical Officer. With over 20 years of experience in clinical practice and the pharmaceutical industry, Dr. Jia brings a wealth of expertise to our organization. He spent nearly a decade as a surgeon at prestigious institutions, including Shanghai Huadong Hospital (上海華東醫院) and Peking Union Medical College Hospital (北京協和醫學院), where he contributed to multiple research projects in organ simulation and regenerative technologies. Transitioning to the biopharmaceutical sector, Dr. Jia served as research expert at leading companies like Bayer and Ferring China, and as a director at Allergan. He previously participated in or leading a number of government-sponsored innovative drug research programs, including a key project of the PRC Ministry of Science and Technology, one project of the CAS and one emergency project of the PRC Ministry of Science and Technology. Dr. Jia earned a master's degree in Surgical Science from Imperial College London and a Ph.D. in Plastic Surgery from Peking Union Medical College (北京協和醫學院).

Dr. ZHOU Liang, another key member of our R&D team, serves as our scientific advisor, who brings over 30 years of experience in pharmaceutical scientific research and regulatory science. Dr. Zhou's extensive background includes 22 years at the FDA, where he served as a senior reviewer and team leader at the CBER and the Office of Pharmaceutical Quality. Following his tenure at the FDA, he served as a vice president for pharmaceutical affair at Qilu Pharmaceuticals in China. He earned his Ph.D. in organic/bioorganic chemistry from Vanderbilt University.

Our core R&D team also includes Dr. LUO Yi, who serves as our chief technology officer and scientific advisor. Having served at renowned pharmaceutical companies including Vertex Pharmaceuticals and Teva, Dr. Luo brings over 20 years of experience in the biopharmaceutical field. His expertise lies particularly in pharmaceutical preparations, processes, and production following the approach of QbD. Dr. Luo earned his Ph.D. from Wuhan University.

Drug Discovery

For details regarding our drug discovery capabilities, see " – Our Technology Platforms" in this section.

Clinical Development

Clinical Trial Design and Implementation

Our clinical development and regulatory affairs team coordinates our trial design and execution, and manages the procedures of our clinical trials with the assistance of CROs, including implementation, cell supply, collection and analysis of trial data, and preparation of trial reports. Our trial advancements are driven by our (i) extensive clinical development experience, (ii) well-designed trial protocols, (iii) multi-

center trial strategy in close collaboration with PI, and (iv) efficient trial execution. We employ a clinical-demand-oriented approach to our R&D efforts. We strategically design the clinical trials of our product candidates, critically select the registration pathways, diligently conduct our clinical trials to ensure speed of execution and data quality, and maintain constructive dialogs with the regulatory authorities to achieve optimal clinical efficacy, and accelerate the approval process of our product candidates.

We select trial sites based on multiple factors. We regularly communicate with collaborating hospitals and PIs that can support our clinical trials of different indications at different stages. We believe that the size and the geographic diversity of these institutions provide us with a significant advantage in implementing large-scale clinical trials and also enable us to conduct multiple clinical trials concurrently.

Collaboration with CROs

In line with the practice in the pharmaceutical industry, we engage CROs, SMOs and third-party research centers to conduct and support our pre-clinical studies and clinical trials. We closely supervise the activities of these third party collaborators. We monitor the CROs and SMOs to ensure they perform their duties to a standard in line with our protocols and industry benchmark to safeguard the integrity of the data collected from the trials and studies.

We engage the CROs, SMOs and third-party research centers in our clinical trials on a project-by-project basis. We have taken several initiatives to make sure that these institutions perform their duties in a manner that complies with our protocols and applicable laws and to protect the integrity of clinical data. We provide these institutions with the final clinical trial protocols and a series of trainings to ensure their familiarity with the trials. They conduct clinical trials based on our protocols, and we designate internal personnel to supervise the implementation phase. We also engage an external independent third-party company to regularly monitor our clinical trials, which is required to timely identify and supervise rectification of any non-compliance in the implementation.

Below is a summary of the key terms of an agreement we typically enter into with our CROs, SMOs or third-party research centers:

- ***Services.*** Our cooperating partner provides the high-quality research and development and technical services to us, including but not limited to the implementation and management of a pre-clinical or clinical research project, pharmacology and toxicology studies, and PK/PD research, as specified in the agreement.

- ***Term.*** Our cooperating partner is required to perform its services and complete the pre-clinical or clinical research project within the prescribed time limit set out in each agreement, or until the agreement is terminated by mutual agreement, by prior written notices from either party, or due to a material breach as stipulated in the agreement.

- ***Payments.*** We are required to make payments to our cooperating partner in accordance with the payment schedule agreed by the parties.

- ***Intellectual property rights.*** We own all intellectual property rights arising from the pre-clinical or clinical research project.

- ***Confidentiality.*** Our cooperating partner is obligated to keep confidential all the data, information or contents we distributed to our cooperating partner related to the project specified in the agreement, and such obligation may survive the termination of the agreement.

- ***Risk allocation.*** The risk allocation between the parties and indemnification are subject to further negotiation between the parties.

We determine the service fee for such CROs based on the expected or actual work performed by them as well as the estimated or actual cost incurred by project basis. During the Track Record Period, none of our CROs or SMOs, including their directors, shareholders and senior management, had any past or present relationship with us or our subsidiaries, shareholders, directors or senior management, or any of their respective associates.

We believe our ability to independently and/or working closely with CROs, SMOs and third-party contractors to conduct pre-clinical studies and clinical trials enable us to generate the requisite data reliably and efficiently and shorten the time required for drug development.

MANUFACTURING

Manufacturing Facilities

Beijing Facility

We launched our Beijing Facility with a total GFA of approximately 2,380 sq.m. and an annual production capacity of approximately 35,000 injectable cell therapy products, which can adequately support our ongoing clinical development and early commercialization. We have established a streamlined production line for PSC-derived cell therapy products. Going forward, we plan to utilize Beijing Facility for manufacturing for our clinical development, as well as early-stage commercial manufacturing of our products once they are approved for marketing.

The Beijing Facility feature GMP-complaint production lines in line with international standards and Grade B+A cleanrooms, which practice aligns with the customary industry standards for quality assurance associated with cell therapy products production. We are also in the process of building a fully isolated system, which consists of a cell preparation isolator and a honeycomb culture device, at our Beijing Facility. The internal environment of such fully isolated system is expected to meet GMP Class A cleaning conditions, ensuring that the cell therapy products produced are kept in sterile, airtight conditions throughout the entire manufacturing cycle. Our transition from cleanrooms to the fully isolated system is anticipated to complete in the first half of 2025.

Zhongshan Facility

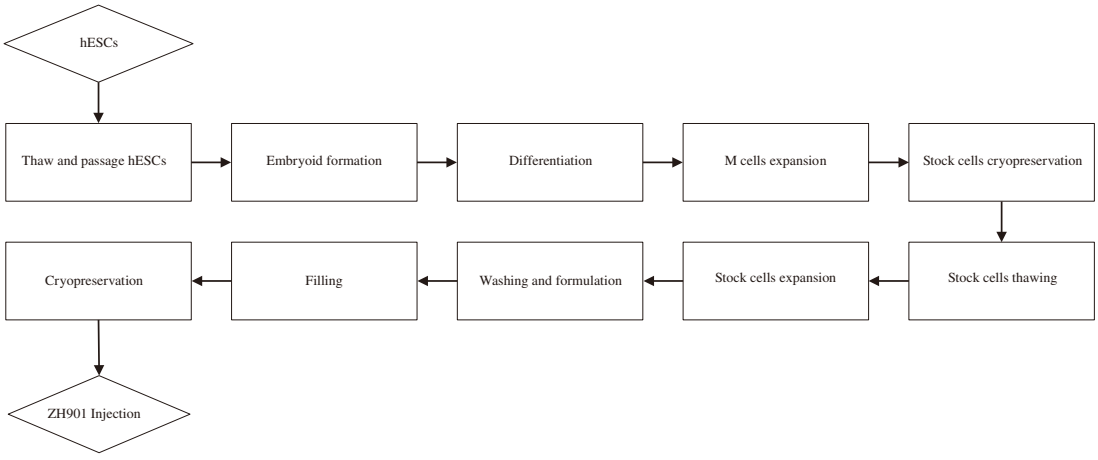
We are planning a new Zhongshan Facility, with a total GFA of approximately 150,000 sq.m. and an anticipated annual production capacity of approximately 500,000 injectable cell therapy products, to support commercial production. As of the Latest Practical Date, we were formulating the construction plans for the Zhongshan facility and anticipate to commence construction by the end of 2024. The construction of our Zhongshan Facility is scheduled to be completed in the second half of 2026 and trial operation will commence thereafter. The Zhongshan Facility will be officially put into commercial manufacturing by 2030. The facility is designed to address the transition from clinical scale production to commercial scale manufacturing, which represents a paradigm shift where product quality, regulatory compliance, process reliability, scalability and cost of production become critical factors.

Our facilities are designed in compliance with the NMPA, FDA and EMA's regulatory requirements and cGMP standards in China, the U.S. and Europe, with in-house production capability that cover all stages of PSC-derived cell therapy product manufacturing. By building our in-house end-to-end manufacturing capabilities, we expect to significantly reduce the manufacturing costs by implementing a highly standardized production process and efficient quality control protocol.

Manufacturing Processes

Manufacturing Process of ZH901 Injection

The following diagram provides an overview of the manufacturing process for ZH901 injection:



The manufacturing process of ZH901 injection is divided into two stages: the stock cells production and ZH901 injection production.

During the stock cells production stage, hESC working bank cells are thawed and cultured for one passage. hESC in good growth condition are passaged to an embryoid body culture medium for suspension culture to prepare embryoid bodies. The collected embryoid bodies are then seeded into VTN-N coated culture dishes and cultured for directed differentiation. They are then cultured and directionally differentiated using induction medium. These cells are seeded into a ten-layer cell factory for three consecutive passages. The harvested cells are then mixed with a cell cryopreservation solution based on the total cell count, aliquoted, gradually cooled, and stored in the vapor phase of a liquid nitrogen tank as stock cells. Once they pass quality inspection, these stock cells are used for ZH901 injection production.

During the production stage of the ZH901 injection, stock cells are thawed and seeded onto a ten-layer cell factory for expansion in induction medium. After expansion, the harvested cells are suspended in a cryopreservation medium and aliquoted into COP vials at 1 ml per vial. These vials are then capped and placed in a freezer for a controlled-rate freezing process. Once frozen, the vials are transferred to a vapor-phase liquid nitrogen tank for long-term storage.

M cells are derived from hESCs. The differentiation process simulates the natural development process of the body. By programmatically adding key inducing factors, high purity M cells are obtained. During differentiation, the expression of marker molecules and genes of target and non-target cells is monitored to control the intermediate process, ensuring the purity of target cells and effectively removing residual hESC and other non-target cells.

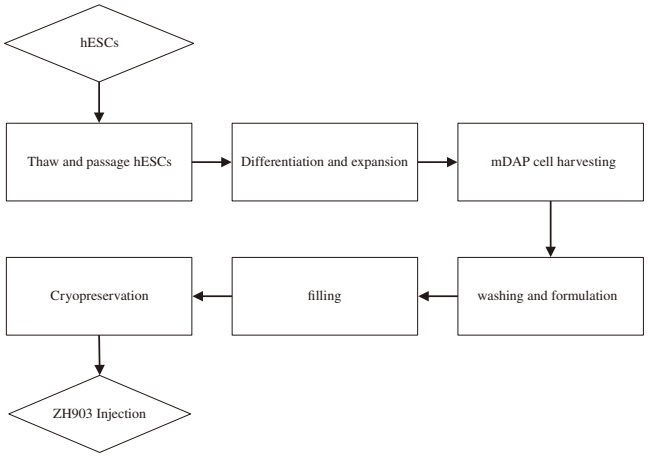
The culture and expansion process of M cells is based on research into the proliferation characteristics of M cells. By optimizing the culture system and defining the effective concentration range of growth factors, an online monitoring system is used to monitor cell growth, accurately controlling the culture time and passage numbers. Key process parameters affecting cell proliferation are controlled to ensure the uniformity of M cell quality and the consistency of batch production between different production batches.

Based on the requirements for clinical application of ZH901 injection, the development of the formulation production process was carried out, clarifying the composition of the formulation, specification, and cell concentration. Programmed cooling technology is used for cell cryopreservation, monitoring ultra-low temperature storage, and transportation. Systematic research was conducted on the preparation method of the formulation, process operation time, programmed cooling process, thawing process, and sterility control.

The entire production process of ZH901 injection complies with GMP requirements. Critical points in the production intermediate process, such as thawing, passaging, and medium change, are monitored for sterility, endotoxins, and mycoplasma to ensure no microbial contamination during production.

Manufacturing Process of ZH903 Injection

The following diagram provides an overview of the manufacturing process for ZH903 injection:



The manufacture of mDAP cells involves a fine-tuned process that mimics the developmental stages of the central nervous system to guide hESCs towards a DA neuron fate.

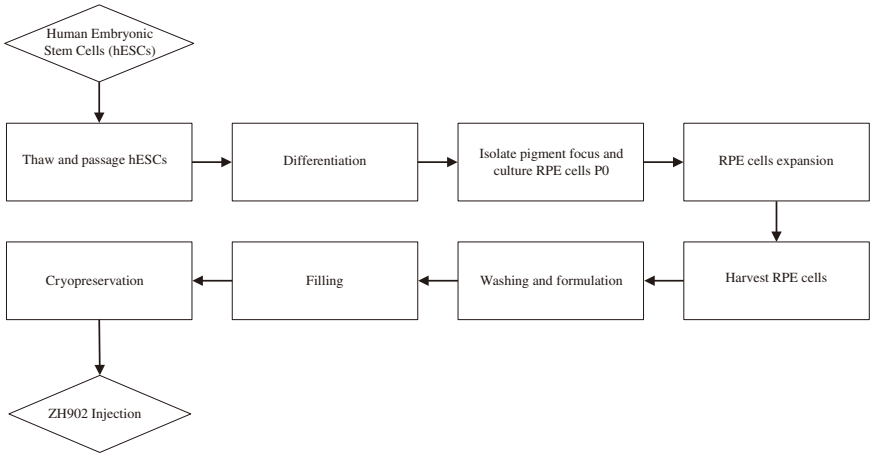
The process begins with thawing and consecutively passaging hESCs from a working cell bank. These harvested hESCs are then used for differentiation.

During the differentiation stage, a combination of dual SMAD inhibition, sequential patterning with sonic hedgehog and fibroblast growth factor 8, and small molecule modulation is employed to robustly induce the differentiation and expansion of DA progenitors.

Once differentiation is achieved, the cells are digested and collected. The cells are then resuspended in a cryopreservation solution and aliquoted at 1 milliliter per vial. The cells undergo gradual cooling using a programmed cooling device and are subsequently transferred to a vapor-phase liquid nitrogen tank for long-term storage.

Manufacturing Process of ZH902 Injection

The following diagram provides an overview of the manufacturing process for ZH902 injection:



ZH902 injection manufacture process is as follows: (i) thaw human embryonic stem cells, culture and passage once; (ii) replace with RPE differentiation medium for continuous culture for 40-60 days, with medium changes during the period; (iii) isolate pigmented foci and transfer to new culture vessels to obtain P0 generation RPE cells; (iv) continuously passage the P0 generation cells to amplify cells up to the P4 generation; (v) detach and harvest RPE cells from the culture vessel; (vi) wash RPE cells with a washing solution to remove medium components; (vii) add cryopreservation agents to prepare the formulation; and (viii) fill into containers, perform controlled rate freezing, and store in vapor phase nitrogen to obtain the ZH902 injection.

Our manufacturing processes feature fully integrated in-house capabilities that cover all stages of hESC-derived cell therapy product manufacturing, including cell bank establishment, cell culture, differentiation and harvesting, formulations and cryopreservation. Building upon the adequate single-sourced cell storage of our in-house cell bank and through the implementation of critical quality attributes and controlling points during the production process, we have developed the capabilities to overcome the challenges of existing cell therapy products by producing therapeutic products with batch-to-batch consistency at industrial scale.

Manufacturing Team

Our Preparation Department is currently mainly responsible for the manufacturing of the injectable cell therapy products used for our ongoing clinical development and will be responsible for commercial production of our approved products in the future. Our Preparation Department, consisting of 12 members as of the Latest Practicable Date, is led by Dr. WANG Shuyan, who has approximately 12 years of research and development experience in stem cell transformation. We are also training up young talents to enhance our in-house manufacturing capabilities.

QUALITY MANAGEMENT

Quality management is crucial to us. We have established an integrated quality control system in line with international quality control standards (including GMP, CNAS, ICHQ10, etc.) as well as the NMPA, FDA and EMA's regulatory requirements, which enables us to realize dynamic and comprehensive supervision and control over our product quality. We have implemented such quality management system to all aspects of our operations, spanning drug development, raw material selection and supply chain management, product manufacturing, product testing to clinical trial management. We have formulated SOPs specifying the operating procedures and requirements for each of these operating aspects to ensure the standardized implementation of all the quality control activities.

Among other quality management efforts, we obtained the ISO 17025 laboratory accreditation certificate from the CNAS in January 2023. In 2024, we successfully passed the review and the expansion assessment. After these two assessments, our accredited laboratory testing capabilities cover 11 categories with 12 methods, encompassing almost all the testing categories for ZH901 injection solutions.

As a national accreditation body authorized and approved by the Certification and Accreditation Administration of China, CNAS has mutual recognition agreements with the International Accreditation Forum, the International Laboratory Accreditation Cooperation, the Pacific Accreditation Cooperation, and the Asia Pacific Laboratory Accreditation Cooperation. ISO 17025, established by the International Organization for Standardization, is a laboratory accreditation standard used to assess and confirm whether a laboratory is competent to perform specific tests and calibrations. This accreditation standard has comprehensive requirements and evaluations for the quality management system of laboratories, playing an important role and bearing significant importance:

- **Constituting Legal Basis:** ISO 17025 accreditation certificate is an internationally recognized validation of laboratory competence. Laboratories accredited under ISO 17025 are capable of performing accurate, reliable, and traceable tests and calibrations, the work results of which can be recognized in courts and other legal or regulatory proceedings.

- **Enhancing Laboratory Credibility:** ISO 17025 accreditation certificate is crucial evidence of a laboratory's competence. Quality control laboratories can use this certificate to demonstrate their technical capabilities and reliability.

- **Promoting International Recognition and Cooperation:** International cooperation requires quality control of products and consistent test results. ISO 17025 accreditation ensures the comparability and credibility of test results, thereby facilitating the development of international cooperation.

- **Improving Laboratory Management Levels:** ISO 17025 accreditation requires laboratories to establish and implement a comprehensive quality management system, covering laboratory operation management, equipment calibration and maintenance, sample management, data analysis, and reporting. This helps improve the management level of laboratories, standardizes work processes, and enhances efficiency and quality.

Successfully passing the ISO 17025 assessments affirms the overall construction and testing capabilities of our quality control laboratory. It indicates that our quality control aligns with international standards, enabling us to provide fair, accurate, and objective testing data.

Our Quality Management Department, consisting of 23 members as of the Latest Practicable Date, is led by our Quality Management Vice President, Ms. WEI Jun, who has over 35 years of experience in quality control associated with clinical development and drug production through her prior tenure as a physician and also as an executive at biotech companies. The average industry experience of the key members of our Quality Management Department is more than 18 years.

Our Quality Management Department is further divided into QA team and QC team. Our QA team is responsible for ensuring that our products and processes comply with regulatory standards and guidelines, while our QC team is responsible for overall inspection and analysis to ensure that our products and the materials used conform to relevant quality standards and that the test methods adopted are stable and reliable.

REGULATORY AFFAIRS AND COMPLIANCE

Ms. LIANG Wei, our Director of Regulatory Affairs, who has over 20 years of experience in biotech regulatory affairs, is responsible for the regulatory approval process of our product candidates, mainly including assembling application dossiers for INDs and NDAs and addressing inquiries from relevant authorities.

COMMERCIALIZATION

Since the PSC-derived cell therapy products are relatively novel, particularly considering that there are no approved PSC-derived cell therapy products in China, we anticipate that the successful launch and commercialization of our PSC-derived cell therapy products will require substantial efforts to educate physicians and patients on the potential benefits and proper process for administration. We expect to adopt a region-by-region marketing and sales strategy by considering each region's regulatory framework and market condition and in accordance with the expected launch timeline of our product candidates. We aim to build a sales and marketing team at least six months ahead of our anticipated commercialization and introduce our PSC-derived cell product candidates, once approved, to the market.

In China, we intend to focus on Class III Grade A hospitals in tier one cities at first, and then with increasing production and sales of our products, gradually expand to Class III Grade A hospitals in second-tier cities across the country with characteristic departments related to the indications of our products and sufficient patient demand. As part of our global registration and marketing strategy, we will also build out our sales and marketing force to focus on other key markets such as the United States and Europe. In connection with our global expansion outside of China, we may consider collaborating with local partners to ensure access to all top-tier medical institutions in the target region.

Our sales and marketing team will also introduce a tailored product education curriculum, where medical professionals can learn how to properly administer and monitor our treatments, while promoting awareness of our brand within the scientific and medical communities as a leading, innovative company that produces quality PSC-derived therapeutic products. We expect such education events will strength the support of the medical professionals for our products and ultimately position our products as the first preferred treatment option. Besides, we will strive to increase the market acceptance of our products by educating patients, directly or indirectly, about the advantages of our PSC-derived cell therapy products in meeting their critical unmet medical needs. To further incentivize patients to choose our product candidates, we will primarily explore potential commercial insurance coverage on our products with the goal of providing affordable PSC-derived cell treatment to patients.

INTELLECTUAL PROPERTY

Our continued success depends on our ability to obtain and maintain proprietary or intellectual property protection for our drug candidates, our core technologies and other know-how. We also have internal protocols in place to ensure that we operate without infringing, misappropriating or otherwise violating the proprietary rights of others, and to prevent others from infringing, misappropriating or otherwise violating our proprietary or intellectual property rights. We protect our proprietary and intellectual property by, among other methods, filing patent applications related to our proprietary technology, inventions and improvements.

As of the Latest Practicable Date, we had 25 registered trademarks and 1 domain name. As of the Latest Practicable Date, we owned 4 issued patents, in-licensed 2 issued patents and owned 11 patent applications. As of the Latest Practicable Date, for our Core Product, we owned 1 issued patent and 6 patent applications. The following table summarizes the details of our granted patents and patent applications in connection with our product candidates:

Product	Patent Name	Patent Type	Applicant/Patentee	Jurisdiction	Status	Patent Expiration[1]
ZH901	Method for testing expression level of pluripotency gene	Invention	Our Company	China	Granted	December 22, 2041
ZH901	Method for testing expression level of pluripotency gene	Invention	Our Company	the U.S.	Pending	N/A
ZH901	Method for testing expression level of pluripotency gene	Invention	Our Company	Europe	Pending	N/A
ZH901	Homogeneous reference cell, and preparation, calibration and use thereof	Invention	Our Company	China	Pending	N/A
Others	Application of exosomes derived from MSCs derived from human PSCs in the treatment of stroke	Invention	Our Company	China	Pending	N/A

Product	Patent Name	Patent Type	Applicant/Patentee	Jurisdiction	Status	Patent Expiration[1]
ZH901	Stem cell preparation composition, and batch production method and clinical application thereof	Invention	Our Company	China	Pending	N/A
ZH901	Stem cell preparation composition, and batch production method and clinical application thereof	Invention	Our Company	PCT	Pending	N/A
Others	A culture system of induced PSCs	Invention	Institute of Zoology, CAS	China	Granted	March 21, 2034
ZH902	A simple preparation method of RPE cells	Invention	Institute of Zoology, CAS and Beijing Institute for Stem Cell and Regeneration	China	Granted	September 27, 2041
ZH902	A method for isolation of cultured RPE cells	Invention	Our Company	China	Pending	N/A
ZH902	A method for isolating pigmented foci from cell cluster surrounding pigmented foci with nonpigmented regions	Invention	Our Company	China	Pending	N/A
ZH902	A method for detecting the viability and density of melanin containing cells	Invention	Our Company	China	Pending	N/A
ZH902	Clinical application of a RPE cell preparation	Invention	Our Company	China	Pending	N/A
Others	Cultured pancreatic cells and culturing methods and uses thereof	Invention	Our Company	China	Granted	July 14, 2026
Others	Lentivirus transfection of bone marrow mesenchymal stem cells from cynomolgus macaque	Invention	Our Company	China	Granted	November 5, 2029
Others	Methods of culture and virus transfection of bone marrow mesenchymal stem cells from adult cynomolgus monkey	Invention	Our Company	China	Granted	November 5, 2029
ZH901	Method for detecting PSCs by detecting HES3	Invention	Our Company	China	Pending	N/A

Note:

(1) Patent expiration does not include any applicable patent term extensions.

Our legal advisers as to intellectual property law have conducted the freedom-to-operate searches and analysis on the key characters of our Core Product in the PRC, and did not identify any valid issued Chinese patents owned by third parties that may prevent our Core Product from being freely operated in China.

The term of an individual patent may vary based on the countries/regions in which it is granted. The actual protection afforded by a patent varies on a claim-by-claim and country-by-country basis and depends upon many factors, including the type of patent, the scope of its coverage, the availability of any patent term extension or adjustment, the availability of legal remedies in a particular country/region and the validity and enforceability of the patent.

We rely, in some circumstances, on trade secrets and/or confidential information to protect aspects of our drug candidates and related technologies. We seek to protect our proprietary technologies and processes, in part, by entering into confidentiality arrangements with third-party contractors. We have entered into confidentiality and non-compete agreements with our senior management and key technicians, pursuant to which intellectual property conceived and developed during their employment belongs to us and they waive all relevant rights or claims to such intellectual property. We also have established an internal policy governing the confidentiality of our information.

During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any material proceedings in respect of, and we had not received written notice of any material claims of infringement of any intellectual property rights, in which we may be a claimant or a respondent. However, there are risks if we fail to protect our intellectual property rights in the future. For details of risks relating to our intellectual property, see "Risk Factors – Risks Relating to Our Intellectual Property Rights" in this document.

SUPPLIERS AND RAW MATERIALS

During the Track Record Period, the raw materials procured for our product candidates primarily include reagents and consumables. We purchased these raw materials and supplies from a variety of suppliers both in China and overseas. A majority of our raw materials are widely available, and we are able to purchase them from numerous suppliers around the world according to our product development plans. We had also engaged service providers, such as CROs, primarily to support our clinical trials. See "– Research and Development – Clinical Development – Collaboration with CROs" in this section. We select our suppliers by considering their qualifications, compliance with relevant regulations and industry standards, manufacturing facilities, production quality, prices, business scale, market share, reputation, and after-service quality. During the Track Record Period, we did not experience any material disputes with suppliers, difficulties during the procurement of services, or interruptions in our operations due to a delay of related services.

For the years ended December 31, 2022 and 2023, and the six months ended June 30, 2024, our purchases from our five largest suppliers in aggregate accounted for 57.6%, 52.3% and 44.6% of our total purchases, respectively, and purchases from our largest supplier alone accounted for 22.6%, 19.9% and 16.8% of our total purchases, respectively. The following table sets forth details of our five largest suppliers during the Track Record Period:

Five Largest Suppliers for the Year Ended December 31, 2022	Suppliers' Background	Products/ Services Supplied	Commencement of Business Relationship	Credit Term	Purchase Amount	Percentage of Total Purchase
					(RMB'000)	*(%)*
JOINN Laboratories (China) Co., Ltd. (北京昭衍新藥研究中心股份有限公司)	A China-based company providing CRO services, which is listed on Hong Kong Stock Exchange and Shanghai Stock Exchange	CRO services	2020	10 days	8,192	22.6
Invitrogen (Shanghai) Trading Co. (英潍捷基(上海)貿易有限公司)	A China-based company selling medical consumables and medical devices	Medical consumables	2019	45 days	6,423	17.8
Supplier A	A China-based company selling cytokines-related products and providing cytokines-related technical, training and consulting services	Medical consumables	2021	30 days	2,821	7.8
Supplier B	A China-based company providing CRO services	CRO services	2020	15 working days	2,099	5.8
Aleon Pharma International, Inc.	A U.S.-based company providing medical registration services	Medical registration services	2022	30 days	1,286	3.6
Total					**20,821**	**57.6**

Five Largest Suppliers for the Year Ended December 31, 2023	Suppliers' Background	Products/ Services Supplied	Commencement of Business Relationship	Credit Term	Purchase Amount	Percentage of Total Purchase
					(RMB'000)	*(%)*
Supplier B	A China-based company providing CRO services	CRO services	2020	15 working days	6,633	19.9
Invitrogen (Shanghai) Trading Co. (英潍捷基(上海)貿易有限公司)	A China-based company selling medical consumables and medical devices	Medical consumables	2019	45 days	4,413	13.2
Supplier A	A China-based company selling cytokines-related products and providing cytokines-related technical, training and consulting services	Medical consumables	2021	30 days	2,597	7.8
JOINN Laboratories (China) Co., Ltd. (北京昭衍新藥研究中心股份有限公司)	A China-based company providing CRO services, which is listed on Hong Kong Stock Exchange and Shanghai Stock Exchange	CRO services	2020	10 days	2,557	7.7
Supplier C	A China-based hospital	Clinical trial services	2020	Advance payment prior to services	1,223	3.7
Total					**17,423**	**52.3**

Five Largest Suppliers for the Six Months Ended June 30, 2024	Suppliers' Background	Products/ Services Supplied	Commencement of Business Relationship	Credit Term	Purchase Amount	Percentage of Total Purchase
					(RMB'000)	*(%)*
Supplier D	A China-based company providing CRO and SMO services	CRO and SMO services	2022	10 working days	4,597	16.8
Sichuan Greentech Biotechnology Co., Ltd. (四川格林泰科生物科技有限公司)	A China-based company providing CRO services	CRO services	2019	10 days	3,170	11.6
Supplier A	A China-based company selling cytokines-related products and providing cytokines-related technical, training and consulting services	Medical consumables	2021	30 days	1,675	6.1
Invitrogen (Shanghai) Trading Co. (英潍捷基(上海)貿易有限公司)	A China-based company selling medical consumables and medical devices	Medical consumables	2019	45 days	1,411	5.1
Beijing ZEPING Bioscience & Technology Co. Ltd. (北京澤平科技有限責任公司)	A China-based company selling medical consumables and medical devices	Medical consumables	2019	30 days	1,378	5.0
Total					**12,231**	**44.6**

To the best of knowledge of our Directors, all of our five largest suppliers during the Track Record Period are Independent Third Parties. None of our Directors, their respective associates nor any shareholder who, to the best knowledge of our Directors, owned more than 5% of our issued share capital as at the Latest Practicable Date, has any interest in any of our five largest suppliers during the Track Record Period. In addition, we believe that we have adequate alternative sources for such suppliers, and we have developed alternative sourcing strategies to decrease our reliance on existing suppliers. We will establish necessary relationships with alternative sources based on our assessment on the risk of supply continuity.

COMPETITION

The pharmaceutical industry is evolving and highly competitive. While we believe that our research and development capabilities enable us to establish a favorable position in the industry, we encounter competition from biopharmaceutical companies and public and private research institutions worldwide. For details of the competitive landscape of our drug candidates, see "Industry Overview" and "– Our Pipeline Products" in this document.

We believe the primary competitive factors in our markets are efficacy, safety and convenience. We expect the competition will become more intensive in the future as additional players enter into the segments. Any drug candidates that we successfully develop and commercialize will compete with existing drugs or any new drugs that may become available in the future. For details of potential impact of market competition, see "Risk Factors – Risks Relating to Research and Development of our Drug Candidates – We face intense competition and our competitors may discover, develop or commercialize competing drugs faster or more successfully than we do, which may adversely affect our ability to successfully commercialize our drug candidates" in this document.

AWARDS AND RECOGNITION

The table below sets forth the key selected awards and recognitions we have received as of the Latest Practicable Date.

Award/Project	Year	Award/Grant Authority
High and New Technology Enterprise in Zhongguancun Science Park (中關村高新技術企業)	2019	Science and Technology Commission Zhongguancun Science Park (中關村科技園區管理會)
National Hi-tech Enterprise (國家高新技術企業)	2021	Commission of Science and Technology in Beijing, Department of Finance in Beijing, and Provincial Tax Bureau of State Administration of Taxation in Beijing (北京市科學技術委員會、北京市財政局、國家税務總局北京市税務局)

Award/Project	Year	Award/Grant Authority
SRDI Small and Medium Enterprise in Beijing (北京市專精特新中小企業)	2022	Department of Economy and Information in Beijing (北京市經濟和信息化局)
Scientific and Technological Research and Development Institution in Changping District (昌平區科技研究開發機構)	2022	Science and Technology Commission in Changing District, Beijing (北京市昌平區科學技術委員會)
Model Entity of Intellectual Properties in Beijing (北京市知識產權試點單位)	2023	Intellectual Property Office in Beijing (北京市知識產權局)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE MATTERS

We acknowledge our environment protection and social responsibilities and are aware of the environmental, energy, climate-related and workplace safety issues that may impact our Group's business operation. We are committed to complying with ESG reporting requirements upon **[REDACTED]**.

We are subject to various environment, health and safety related laws and regulations in China. To ensure our compliance with applicable environmental protection, health and safety laws and regulations, we (i) have established various guidelines governing laboratory and manufacturing procedures and the handling, use, storage, treatment and disposal of hazardous materials wastes, and taken measures to ensure such guidelines are strictly enforced; (ii) inspect our equipment and offices regularly to identify and eliminate safety hazards; and (iii) conduct health examinations for all of our employees.

During the Track Record Period and up to the Latest Practicable Date, we complied with the relevant PRC environmental and occupational health and safety laws and regulations in all material aspects.

Governance of Environmental and Social Matters

Our Board has overall responsibility for (i) overseeing and determining our Group's ESG related risks and opportunities that impact our Group, (ii) establishing ESG related targets of our Group, (iii) adopting the ESG related policies, and (iv) reviewing our Group's performance in ESG matters.

We are subject to ESG related issues. See "Risk Factors – Risks Relating to Government Regulations – We are subject to environmental protection, health and safety laws and regulations, and if we fail to comply with these laws and regulations, we could be subject to fines or penalties or incur costs that could have a material adverse effect on our business" in this document. We may adopt more ESG policies relating to social responsibility and internal governance as our Board deems fit.

Environmental Matters

Waste

We monitor our waste on a periodic basis and make continuous efforts in working towards the target of reducing the waste discharge. The levels of our hazardous wastes (including liquid and solid wastes) amounted to approximately 9.0 tons, 7.5 tons and 3.4 tons in 2022, 2023 and the six months ended June 30, 2024, respectively.

We have adopted internal policies for environmental risk prevention to ensure compliance with the requirements of the applicable national, industrial and local standards, laws, regulations and policies. The waste we produce is divided into hazardous waste and non-hazardous waste. We store hazardous waste and non-hazardous waste in separate warehouses, conduct regular inspections of such warehouses to make sure that respective containers are intact. Hazardous waste and non-hazardous are transferred to different waste disposal companies on a regular basis. We require operational qualification from the third-party waste disposal companies in accordance with relevant governmental laws and regulations. The waste disposal companies would issue written records for the transfer of wastes and we keep such records for our internal review and compliance. In 2022, 2023 and the six months ended June 30, 2024, we incurred costs in relation to hazardous waste disposal of approximately RMB58.0 thousand, RMB65.1 thousand and RMB27.6 thousand, respectively. We will make continuous endeavors to take measures to protect the ecological environment during our business operation, so as to minimize adverse environmental impact.

Resource Consumption

To reach our goal for sustainable development, we oversee our environmental protection performance in various aspects, such as efficiency in the use of resources and energy consumption. We monitor our electricity and water consumption levels and implement measures to improve energy efficiency and water conservation. In 2022, 2023 and the six months ended June 30, 2024, the electricity we consumed was approximately 2,027.9 MWh, 2,004.4 MWh and 778.8 MWh, respectively, with our water consumption reaching approximately 4,898 tons, 6,693 tons and 2,137 tons, respectively.

Following the ESG evaluation system standards in China and the market practice of industry pioneers, we aim to avoid or reduce the adverse impact on the environment caused by our operations and services, formulate environmental management plans to continuously improve our energy consumption efficiency and ensure all of our operations comply with governmental environment-related regulations and requirements. Our current target is to establish a comprehensive ESG governance mechanism for our Group and the historical energy consumption levels during the Track Record Period will serve as a foundation for developing more relevant energy reduction strategies and settling appropriate reduction targets for us in the future.

Climate Change

In view of the nature of our business, to the best knowledge of our Directors, the climate change will not have any major impact on our business operation. In the case of extreme natural weather, we will actively respond to the relevant policies of local government, make contingency plans to ensure the safety

of our staff. In the case of acute physical risks such as direct damage to assets and indirect impacts from supply chain disruption as a result of extreme weather events, we will make corresponding contingency and disaster preparedness plans, and we believe that we have the ability to deal with climate crisis. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material impact on our business operations, strategies or financial performance as a result of climate-related issues.

Potential transition risk may result from a lower-carbon economy, which entails climate-related regulations and policy change and reputational risk. Currently, the NDRC and the Ministry of Ecology and Environment have jointly issued the Opinions on Further Strengthening the Cleanup of Plastic Pollution, laying out a five-year roadmap to restrict the use, production and sale of plastic products by 2020, 2022, and 2025, respectively. Our Group will work with the suppliers to comply with such regulations, and we will monitor the scope to ensure our works meet the expectations of the regulators.

Greenhouse Gas Emissions

Our greenhouse gas emissions primarily consist of Scope 2 and Scope 3 emissions. We did not generate Scope 1 emissions during the Track Record Period as our clinical manufacturing activities are mainly powered by purchased electricity. Our Scope 2 emissions primarily include the indirect greenhouse gas emissions from our usage of purchased electricity, which amounted to 1,066.8 tons, 1,080.6 tons and 444.0 tons of CO_2 equivalent in 2022, 2023 and the six months ended June 30, 2024, respectively. Our Scope 3 emissions mainly consist of indirect emissions generated from paper waste disposal, freshwater and sewage treatment, and business air travel, which amounted to 16.5 tons, 60.4 tons and 24.2 tons of CO_2 equivalent in 2022, 2023 and the six months ended June 30, 2024, respectively.

Supply Chain Management

All of our raw materials are non-heavy polluting materials. In order to further strengthen the environmental management of raw materials, as well as our third-party contractors, such as CROs, we have taken the following measures: (i) we only collaborate with qualified and trusted suppliers, which we believe have strictly complied with relevant environmental regulations and industry standards; and (ii) we closely supervise them to ensure they perform in a manner that complies with our protocols and applicable laws.

Social Matters

Anti-Discrimination

We have policies on compensation and dismissal, equal opportunities and anti-discrimination. If our employees encounter any unequal discrimination, they should seek immediate assistance from either their department head, human resources department or our management team. We will immediately follow up, investigate, and, if necessary, report to the law enforcement authorities. Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, there had been no violation of any applicable social laws, rules and regulations and no claim or penalty imposed upon us as a result of such laws, rules and regulations.

Work Safety

We have adopted and maintained a series of rules, SOPs and measures to maintain a healthy and safe environment for our employees. For example, we (i) have formulated Safety Training Management System, Hazardous Chemical Management System and Biosafety Management System, and so forth; (ii) organize regular safety training and exercises; and (iii) purchase accident insurance for employees at special positions, such as maintenance staff. Additionally, our Safety Committee is in charge of safety and emergency issues, mainly responsible for identifying and mitigating safety risks, improving the safety production policies and procedures, supervising the implementation of such policies and procedures, making emergency plans and providing trainings in respect of production safety to our employees. During the Track Record Period, we do not have any material accident relating to our operations.

EMPLOYEES

As of the Latest Practicable Date, we employed 97 employees, all of whom were based in China. The following table sets forth a breakdown of our employees by function as of the Latest Practicable Date.

Function	Number of employees	Percentage
Senior management	6	6.2%
Scientific research	11	11.3%
Quality management	22	22.7%
Clinical medicine	16	16.5%
Preparation	12	12.4%
Assurance, Procurement and Formulation Supply	16	16.5%
IT, Finance & General administration	14	14.4%
Total	**97**	**100.0%**

We also plan to develop our internal sales and marketing team preparing for the commercialization of our drug candidates in the future. We believe our ability to attract, hire, and keep quality employees is indispensable for our success. We primarily recruit employees through job websites, recruitment agencies and internal referrals, taking into account factors including work experience, education, and professional competence. We offer competitive remuneration packages based on qualifications and experience. To ensure compliance with PRC labor laws, we enter into standard individual employment agreements with our employees, covering matters such as terms, wages, bonuses, employee benefits and grounds for termination. We also enter into confidential agreements and non-competition agreements with senior management and key technicians.

As required by PRC regulations, we participate in various government statutory employee benefit plans, including social insurances, namely pension insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance, and housing funds. We are required under PRC law to make contributions to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local government regulations from time to time.

We conduct new staff training regularly to guide new employees and help them adapt to the new working environment. We also provide training and development programs to our employees from time-to-time to ensure their awareness and compliance with our various policies and procedures. In addition, we encourage our employees to attend external seminars and workshops to enrich their technical knowledge and develop competencies and skills. As we emphasize operating an integrated platform for research and development of our product candidates, we conduct certain training jointly involving multiple departments in different functions to foster mutual support in our day-to-day operations.

As of the Latest Practicable Date, none of our employees are represented by labor unions. We believe that we have maintained good working relationships with our employees. During the Track Record Period and up to the Latest Practicable Date, we were not subject to any material claims, lawsuits, penalties, or administrative actions relating to compliance with occupational health and safety laws or regulations, and had not experienced any strikes, labor disputes or industrial actions which have had a material effect on our business.

PROPERTIES

As of June 30, 2024, we did not have any single property with a book value accounting for 15% or more of our total assets. According to Chapter 5 of the Hong Kong Listing Rules and section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this document is exempt from the requirements of section 342(1)(b) of the Companies (Winding up and Miscellaneous Provisions) Ordinance to include all interests in land or buildings in a valuation report as described under paragraph 34(2) of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance.

Owned Properties

As of the Latest Practicable Date, we owned land use right to a parcel of land in Zhongshan, Guangdong Province, with a site area of approximately 55,714 sq.m. used for industrial purposes. We have obtained the land use right certificate for such parcel of land. For more details, see "– Manufacturing – Manufacturing Facilities – Zhongshan Facility" in this section.

Leased Properties

As of the Latest Practicable Date, we leased eight properties with an aggregate GFA of approximately 5,665.3 sq.m. in China, which were primarily used as R&D facility, manufacturing facility, warehouse and office. The following table sets forth the details of our leased properties:

No.	Location	Usage	GFA	End of Lease Term
			(Approximate sq.m.)	
1.	Beijing	R&D and Office	2,196.8	2028/08/31
2.	Beijing	Office	101.7	2027/06/15
3.	Beijing	Office	296.8	2027/06/15
4.	Beijing	Office	247.7	2027/06/15
5.	Beijing	R&D, Manufacturing and Office	2,380.4	2028/09/29
6.	Beijing	R&D, Warehouse and Office	432.0	2028/09/29
7.	Zhongshan, Guangdong Province	Office	10.0	2024/10/10
8.	Shanghai	For registration purpose	/[(1)]	2027/07/11

Note:

(1) Such property is a cluster registered address. We lease such property for the purpose of completing the registration with the relevant authority, and do not actually occupy the property.

As of the Latest Practicable Date, two of our lease agreements with an aggregate GFA of 10.0 sq.m. had not been registered with the relevant PRC authorities. We are taking all practicable and reasonable steps to ensure that the unregistered leases are registered. Our PRC Legal Adviser has advised us that the lack of registration of the lease contracts will not affect the validity of the lease agreements under PRC laws, and has also advised us that a maximum penalty of RMB10,000 may be imposed for non-registration of each lease. As of the Latest Practicable Date, we were not aware of any notice or allegation of penalty from PRC government authorities for our failure on the registration of lease agreements. See "Risk Factors – Risks Relating to Governmental Regulations – We may be subject to fines due to the lack of registration of our leases" in this document.

INSURANCE

We maintain insurance policies that we consider to be in line with market practice and adequate for our business. For example, we maintain liability insurance for drug clinical trials, as well as social welfare insurance for our employees in accordance with relevant PRC laws and regulations in all material aspects.

LICENSES, PERMITS AND APPROVALS

Our PRC Legal Adviser has advised, that as of the Latest Practicable Date, we had obtained all requisite licenses, approvals and permits from relevant authorities that are material to our operations in the PRC.

The following table sets forth the details of our material licenses, permits and approvals as of the Latest Practicable Date:

License/Permit	Issuing Authority	Holder	Grant date	Expiration date
Laboratory Accreditation Certificate (CNASL17595)	CNAS	Our Company	January 5, 2023	January 4, 2029
Notice of Approval for Drug Clinical Trial (2021LP01536)	NMPA	Our Company and Institute of Zoology, CAS	September 26, 2021	N/A[(1)]
Notice of Approval for Drug Clinical Trial (2022LP00185)	NMPA	Our Company	February 11, 2022	N/A[(1)]
Notice of Approval for Drug Clinical Trial (2023LP00683)	NMPA	Our Company	April 18, 2023	N/A[(1)]
Notice of Approval for Drug Clinical Trial (2023LP00684)	NMPA	Our Company	April 18, 2023	N/A[(1)]

Note:

(1) The approved clinical trial shall be implemented within 3 years from the date of approval.

We had not experienced any material difficulty in renewing such licenses, permits, approvals and certificates during the Track Record Period and up to the Latest Practicable Date, and we currently do not expect to have any material difficulty in renewing them when they expire, if applicable.

LEGAL PROCEEDINGS AND REGULATORY COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, we had not been a party to any actual or threatened material legal or administrative proceedings. During the Track Record Period and up to the Latest Practicable Date, we had complied in all material respects with the applicable laws and regulations relating to our business operations. We are committed to maintaining the highest standards of compliance with the laws and regulations applicable to our business. However, we may from time to time be subject to various legal or administrative claims and proceedings arising in the ordinary course of business.

RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management

We are exposed to various risks in our business operations and we recognize that risk management is critical to our success. For a discussion of various operational risks and uncertainties we face, see "Risk Factors" in this document. We have adopted a series of risk management policies which set out a risk management framework to identify, assess, evaluate and monitor key risks associated with our strategic objectives on an ongoing basis. Our senior management, and ultimately our Directors, supervise the implementation of our risk management policies. Risks identified by management will be analyzed on the basis of likelihood and impact, and will be properly followed up and mitigated and rectified by us.

The following key principles outline our approach to risk management:

- Our Audit Committee will oversee and manage the overall risks associated with our business operations, including (i) reviewing and approving our risk management policy to ensure that it is consistent with our corporate objectives; (ii) reviewing and approving our corporate risk tolerance; (iii) monitoring the most significant risks associated with our business operation and our management's handling of such risks; (iv) reviewing our corporate risk in the light of our corporate risk tolerance; and (v) monitoring and ensuring the appropriate application of our risk management framework across our Group.

- Our Board will be responsible for (i) formulating our risk management policy and reviewing major risk management issues of our Group; (ii) reviewing and approving major risk management issues of our Group; (iii) promulgating risk management measures; (iv) providing guidance on our risk management approach to the relevant departments in our Group; (v) reviewing the relevant departments' reporting on key risks and providing feedbacks; (vi) supervising the implementation of our risk management measures by the relevant departments; (vii) ensuring that the appropriate structure, processes and competencies are in place across our Group; and (viii) reporting to our Audit Committee on our material risks.

- The relevant departments in our Company, including but not limited to the departments in charge of finance, legal and human resources, are responsible for implementing our risk management policy and carrying out our day-to-day risk management practice. In order to formalize risk management across our Group and set a common level of transparency and risk management performance, the relevant departments will (i) gather information about the risks relating to their operation or function; (ii) conduct risk assessments, which include the identification, prioritization, measurement and categorization of all key risks that could potentially affect their objectives; (iii) continuously monitor the key risks relating to their operation or function; (iv) implement appropriate risk responses where necessary; and (vi) develop and maintain an appropriate mechanism to facilitate the application of our risk management framework.

Internal Control

Our Board is responsible for establishing our internal control system and reviewing its effectiveness. Our internal control policies set out a framework to identify, assess, evaluate and monitor key risks associated with our strategic objectives on an ongoing basis.

Below is a summary of the internal control policies, measures and procedures we have implemented or plan to implement:

- We have adopted various measures and procedures regarding each aspect of our business operation, such as confidentiality management, IT security and protection of intellectual property. For example, we formulate and regularly update confidential information list, and strictly manage confidential media, confidential personnel and confidential areas.

- Our Directors (who are responsible for monitoring the corporate governance of our Group) with help from our legal advisers, will also periodically review our compliance status with all relevant laws and regulations after the **[REDACTED]**.

- We have established an Audit Committee which (i) makes recommendations to our Directors on the appointment and removal of external auditors; and (ii) reviews the financial statements and renders advice in respect of financial reporting as well as oversees internal control procedures of our Group.

- We have engaged Zhongtai International Capital Limited as our compliance adviser to provide advice to our Directors and senior management team regarding matters relating to the Listing Rules. Our compliance adviser is expected to, upon our consultation, provide advice and guidance in respect of compliance with the applicable laws and Listing Rules including various requirements of directors' duties and internal control in a timely fashion.

- We plan to provide various and continuing trainings to update our Directors, senior management, and relevant employees on the latest laws and regulations from time to time with a view to proactively identify any concerns and issues relating to any potential non-compliance.

- Regarding anti-bribery and anti-kickback, we issued anti-bribery and anti-fraud policy which included compliance training for our personnel and setting whistle-blowing system for non-compliance behavior and penalties for bribery and fraud cases.

- Our Directors believe that compliance creates value for us and dedicate to cultivating a compliance culture among all of our employees. To ensure such compliance culture is embedded into everyday workflow and set the expectations for individual behavior across the organization, we regularly conduct internal compliance checks and inspections, adopt strict accountability internally and conduct compliance training.

During the Track Record Period, we had regularly reviewed and enhanced our risk management system and internal control system. We consider that our Directors and members of our senior management possess the necessary knowledge and experience in providing good corporate governance oversight in connection with risk management and internal control.

PRC LAWS AND REGULATIONS

We are subject to a variety of PRC laws, rules and regulations affecting many aspects of our business. This section summarizes the principal PRC laws, regulations and rules that are relevant to our business and operations.

REGULATIONS ON COMPANY ESTABLISHMENT AND FOREIGN INVESTMENT

The PRC Company Law (中華人民共和國公司法), which was promulgated by the Standing Committee of the National People's Congress (the "**SCNPC**"), amended in October 2018 and became effective thereafter, applies to the establishment, operation and management of both PRC domestic companies and foreign-invested enterprises. According to the PRC Company Law, where there are otherwise provisions in the laws relating to foreign investment, such provisions shall prevail. The PRC Company Law was later amended on 29 December 2023, and has become effective on 1 July 2024.

On 15 March 2019, the National People's Congress of the PRC (the "**NPC**") adopted the PRC Foreign Investment Law (中華人民共和國外商投資法) (the "**Foreign Investment Law**"), which became effective on 1 January 2020. The Foreign Investment Law is applicable to the foreign investment within the territory of the PRC, including the investment activities directly or indirectly conducted by a foreign enterprise. And on 26 December 2019, the State Council promulgated the Implementing Rules of the PRC Foreign Investment Law (中華人民共和國外商投資法實施條例), or the Implementing Rules, to further clarify and elaborate the relevant provisions of the Foreign Investment Law. Moreover, investment in the PRC conducted by foreign investors and foreign-owned enterprises shall comply with the Special Administrative Measures (Negative List) for Access of Foreign Investments (2021 Edition) (外商投資准入特別管理措施(負面清單) (2021年版)) (the "**Negative List 2021**"), which was promulgated on 27 December 2021 by the National Development and Reform Commission and the Ministry of Commerce (the "**MOC**"), and became effective on 1 January 2022, and the Special Administrative Measures (Negative List) for Access of Foreign Investments (2024 Edition) (外商投資准入特別管理措施(負面清單) (2024年版)) (the "**Negative List 2024**"), which was promulgated on 6 September 2024 and will become effective on 1 November 2024. Investment in the development and application of technologies of human stem cells and gene diagnosis and therapy shall be prohibited pursuant to the Negative List 2021 and the Negative List 2024. We conduct business operations that are prohibited to foreign investment, including the development and application of stem cells, through our PRC Entities.

On 7 September 2024, the MOC, the National Health Commission (the "**NHC**"), and the National Medical Products Administration (the "**NMPA**") jointly promulgated the Circular on Launching the Pilot Program for Expanding the Opening-up in the Medical Sector (商務部、國家衛生健康委、國家藥監局關於在醫療領域開展擴大開放試點工作的通知), which became effective thereafter. According to this Circular, biotechnology foreign-invested enterprises are allowed to engage in the development and application of technologies relating to human stem cells and gene diagnosis and treatment in the China (Beijing) Pilot Free Trade Zone, the China (Shanghai) Pilot Free Trade Zone, the China (Guangdong) Pilot Free Trade Zone and the Hainan Free Trade Port for the registration, launch, and production of relevant products.

On 30 December 2019, the MOC and the State Administration for Market Regulation (the "**SAMR**"), jointly promulgated the Measures for Reporting of Foreign Investment Information (外商投資信息報告辦法), which became effective on 1 January 2020. Pursuant to the measures, where a foreign investor directly or indirectly carries out investment activities in China, the foreign investor or the foreign-invested enterprise shall submit the investment related information to the competent commerce authority for further handling.

LAWS AND REGULATIONS ON PHARMACEUTICAL PRODUCT DEVELOPMENT, APPROVAL AND REGISTRATION

Drug Regulatory Regime

We operate our business in China under a legal regime consisting of the SCNPC, the State Council and several ministries and agencies under its authority, including, among others, the NMPA, the NHC and the SAMR. The NMPA's predecessor, the State Drug Administration (the "**SDA**"), was replaced by the State Food and Drug Administration (the "**SFDA**"), which was later reorganized into the China Food and Drug Administration (the "**CFDA**"), as part of the institutional reforms implemented by the State Council. The responsibilities of the National Health and Family Planning Commission (the "**NHFPC**") and certain other governmental authorities are consolidated into the NHC, and the CFDA had been replaced by the NMPA in accordance with the Institutional Reform Program of the State Council (國務院機構改革方案) promulgated by the NPC on 17 March 2018. The NMPA is a regulatory authority responsible for registration and supervision of pharmaceutical products, cosmetics and medical equipment under the supervision of the SAMR.

The NMPA has set up the Centre for Drug Evaluation (the "**CDE**") conducting the technical evaluation of each drug and biologic application to assess safety and efficacy and other institutions. According to the Decision of the CFDA on Adjusting the Approval Procedures under the Administrative Approval Items for Certain Drugs (國家食品藥品監督管理總局關於調整部分藥品行政審批事項審批程序的決定) issued by the CFDA on 17 March 2017 and became effective on 1 May 2017, the approval for an investigational new drug application (the "**IND**"), should be issued by the CDE in the name of the NMPA.

Stem Cells

The Technical Guidelines for Research and Evaluation of Cell Therapy Products (For Trial Implementation) (細胞治療產品研究與評價技術指導原則(試行)), which was promulgated by the SFDA on 18 December 2017 and became effective thereafter, regulate and guide the research, development and evaluation of stem cell therapeutic products in accordance with drug management practices. Due to the rapid development of cell therapy product technology and product diversity, the guidelines are mainly based on current understanding, and put forward general technical requirements regarding the safety, effectiveness, and quality control of cell therapy products.

According to the Ethical Guidelines for Human Embryonic Stem Cell Research (人胚胎幹細胞研究倫理指導原則), which was promulgated on 24 December 2003 by the Ministry of Science and Technology and the Ministry of Health, human embryonic stem cells (the "**hESCs**") include stem cells

derived from human embryos, germ cells, and those obtained through nuclear transfer. To conduct human embryonic stem cell research, the principles of informed consent and informed choice must be earnestly implemented. The entities engaging in the research of hESCs shall set up an ethic committee to make overall examination, consultation and supervision over the ethic and science groundings of the research.

On 25 October 2016, the Central Committee of the Communist Party of China and the State Council promulgated the Outline of the Plan for "Healthy China 2030" ("健康中國2030"規劃綱要), which clearly proposes to develop cutting-edge technologies such as histology technology, stem cell and regenerative medicine, new vaccines and biological treatments, strengthen breakthroughs in key technologies such as chronic disease prevention and control, precision medicine and smart medicine, and focus on the deployment of innovative drug development, localization of medical devices, modernization of traditional Chinese medicine and other tasks, so as to significantly enhance the scientific and technological support capabilities for the prevention and control of major diseases and the development of the health industry.

On 20 December 2021, the National Development and Reform Commission promulgated the "14th Five-Year Plan" for the Development of Biological Economy ("十四五"生物經濟發展規劃), proposing to develop new technologies such as gene diagnosis and treatment, stem cell therapy and immune cell therapy, strengthen the coordination and linkage between production, education, research and application, accelerate the transformation and clinical application of relevant technology products, promote the formation of a new model of regenerative medicine and precision medical treatment.

Pharmaceutical Product Development

According to the Drug Administration Law of the PRC (中華人民共和國藥品管理法) (the "**Drug Administration Law**"), promulgated by the SCNPC on 20 September 1984, last amended on 26 August 2019 and became effective on 1 December 2019, and the Implementing Measures of the PRC Drug Administration Law (中華人民共和國藥品管理法實施條例) promulgated by the State Council on 4 August 2002, last amended on 2 March 2019 and became effective thereafter, have laid down the legal framework for the administration of pharmaceutical products, including the research, development and manufacturing of new drugs. The Drug Administration Law applies to entities and individuals engaged in the research, production, trade, application, supervision and administration of pharmaceutical products. It regulates and prescribes a framework for the administration of pharmaceutical manufactures, pharmaceutical trading companies, and medicinal preparations of medical institutions and the development, research, manufacturing, distribution, packaging, pricing and advertisements of pharmaceutical products. The Implementing Measures of the PRC Drug Administration Law serves to provide detailed implementation regulation for the PRC Drug Administration Law.

Nonclinical Research

The SFDA promulgated the Good Laboratories Practices for Non-clinical Laboratory Studies of Drugs (藥物非臨床研究質量管理規範) (the "**GLP**") on 6 August 2003, amended on 27 July 2017 by CFDA, and became effective on 1 September 2017. On 16 April 2007, the SFDA issued the Circular on Measures for Certification of Good Laboratory Practice and for Non-clinical Laboratory (藥物非臨床研究質量管理規範認證管理辦法), which was amended by the NMPA on 19 January 2023, and became

effective on 1 July 2023. The Circular provides that the NMPA decides whether an institution is qualified for undertaking pharmaceutical nonclinical research upon the evaluation of the institution's organizational administration, its research personnel, its equipment and facilities and its operation and management of nonclinical pharmaceutical projects. If all the requirements are met, a Certification of Good Laboratory Practice will be issued by the NMPA.

According to the Technical Guidelines for Non-clinical Studies of Human Stem Cell Products (人源幹細胞產品非臨床研究技術指導原則), which was promulgated by the NMPA on 12 January 2024 and became effective thereafter, non-clinical studies of human stem cell products should generally be conducted at institutions certified by the GLP and shall be in compliance with the GLP.

Investigator-initiated Trial

The Measures for the Administration of Clinical Research on Stem Cells (For Trial Implementation) (幹細胞臨床研究管理辦法(試行)), which was promulgated by the CFDA and the NHFPC on 20 July 2015 and became effective thereafter, applies to clinical research on stem cells in medical institutions. Medical institutions conducting clinical research on stem cells are responsible for the quality management of stem cell preparations and clinical research, and they should conduct project approval review, registration and filing, and process supervision for stem cell clinical research projects, and carry out quality management and risk control for the entire process of stem cell preparation and clinical research.

Clinical Trials Approval and Registration

According to the Administrative Measures for Drug Registration (藥品註冊管理辦法) promulgated by the SFDA 28 February 2005, amended on 22 January 2020 by NMPA, and became effective on 1 July 2020, new drug application is subject to clinical trials. Upon completion of non-clinical research, clinical trials must be conducted for the application of a new drug registration, and applicants must apply for approval of IND from the NMPA or the CDE before conducting clinical trials.

The Opinions of the State Council on the Reform of Evaluation and Approval System for Drugs and Medical Devices and Equipment (國務院關於改革藥品醫療器械審評審批制度的意見) (the "**Reform Opinions**"), promulgated on 9 August 2015 and became effective thereafter, established a framework for reforming the evaluation and approval system for drugs. The Reform Opinions indicated enhancing the standard of approval for drug registration and accelerating the evaluation and approval process for innovative drugs as well as improving the approval of drug clinical trials.

The Announcement of the CFDA on Several Policies on the Appraisal and Approval of Drug Registration (國家食品藥品監督管理總局關於藥品註冊審評審批若干政策的公告) (the "**Several Policies Circular**"), promulgated on 11 November 2015 and became effective thereafter, further clarified the measures and policies regarding simplifying and accelerating the approval process of drugs on the basis of the Reform Opinions. The Several Policies Circular further provides that as to the clinical trial applications for new drugs, one-time approval is implemented and no declaration, appraisal or approval at different levels will be adopted.

According to the Announcement of the NMPA on Adjusting Evaluation and Approval Procedures for Clinical Trials for Drugs (國家藥品監督管理局關於調整藥物臨床試驗審評審批程序的公告) promulgated on 24 July 2018 and became effective thereafter, within 60 days after the acceptance of and the fees paid for the IND, the applicant may conduct the clinical trials for the drug in accordance with the clinical trial protocol submitted, if the applicant has not received any negative or questioning opinion from the CDE.

The Priority Review and Approval Procedures for Drug Marketing Authorizations (for Trial Implementation) (藥品上市許可優先審評審批工作程序(試行)) promulgated by the NMPA on 7 July 2020 further clarified that a fast track IND or drug registration pathway will be available to the innovative drugs.

According to the Administrative Measures for Drug Registration, upon obtaining the approval of its IND and before conducting a clinical trial, an applicant shall file a registration form with the NMPA containing various details, including the clinical study protocol, the name of the principal researcher of the leading institution, names of participating institutions and researchers, an approval letter from the ethics committee, and a sample of the Informed Consent Form, with a copy sent to the competent provincial administration departments where the trial institutions will be located. The Announcement of the CFDA on Drug Clinical Trial Information Platform (國家食品藥品監督管理總局關於藥物臨床試驗信息平台的公告) announced on 6 September 2013, provides that, instead of the aforementioned registration field with the NMPA, all clinical trials approved by the CFDA and conducted in China shall complete a clinical trial registration and publish trial information through the Drug Clinical Trial Information Platform. The applicant shall complete the trial pre-registration within one month after obtaining the approval of the IND in order to obtain the trial's unique registration number and complete registration of certain follow-up information before the first subject's enrolment in the trial. If the registration is not completed within one year after the approval of the IND, the applicant shall submit an explanation, and if the first submission is not completed within three years, the approval of the IND shall automatically expire.

Pursuant to the Administration of Quality of Drug Clinical Practice (藥物臨床試驗質量管理規範), a sponsor shall, prior to the start of a clinical trial, submit relevant clinical trial materials to the competent medical products administration, and obtain the licensing for the clinical trial or complete the filing thereof; and indicate the version number and date of the documents and materials to be submitted.

Conduction of Clinical Trials

Pursuant to the PRC Civil Code (中華人民共和國民法典) promulgated by the NPC on 28 May 2020 and effective from 1 January 2021, where a clinical trial is needed for developing new drugs and medical devices or developing new prevention and treatment methods, upon approval of the relevant competent authorities and the examination and approval of the ethics committee, the participants or the guardians thereof shall be informed of the details including the purposes, methods, and the possible risks of the trial, and their written consent must be obtained. When conducting a clinical trial, no fees may be collected from the participants of the trial.

According to the Administration of Quality of Drug Clinical Practice issued by the NMPA and the NHC on 23 April 2020, which became effective on 1 July 2020, the institutions for drug clinical trials should establish an independent ethics committee and the clinical trial schemes are subject to examination, approval and signing with approval opinions by the ethics committee before implementation, in order to protect the rights and interests of human subjects in clinical trials.

All clinical trials conducted in PRC 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 the NMPA and the NHC on 29 November 2019, which took effect on 1 December 2019.

On June 2023, the CDE promulgated the Technical Guidelines for Clinical Trials of Human Derived Stem Cells and their Derived Cell Therapeutic Products (For Trial Implementation) (人源性幹細胞及其衍生細胞治療產品臨床試驗技術指導原則(試行)), to provide necessary technical guidelines for the overall planning, design, implementation and analysis of clinical trials for stem cell-related products, to standardize the evaluation methods for the safety and effectiveness of stem cell-related products, and to protect the safety and rights of subjects participating in clinical trials.

Phases of Clinical Trials and the Communication with the CDE

According to the Administrative Measures for Drug Registration, a clinical trial consists of Phases I, II, III, IV and bio-equivalence trial. Pursuant to the characteristics of a drug and the research purpose, the research contents shall include clinical pharmacological research, exploratory clinical trial, confirmatory clinical trial and post-marketing research.

According to the Announcement of the NMPA on Adjusting Evaluation and Approval Procedures for Clinical Trials for Drugs, where the application for clinical trial of a new investigational drug has been approved, upon the completion of Phases I and II clinical trials and prior to Phase III clinical trial, the applicant shall submit the application for Communication Session to CDE to discuss with CDE the key technical questions including the design of Phase III clinical trial protocol.

Approval or Filing relating to Chinese Human Genetic Resources

On 2 July 2015, the Ministry of Science and Technology of the PRC (the "**MOST**") issued 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), or the Service Guide, which became effective thereafter. According to the Service Guide, 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 26 October 2017, the MOST promulgated the Circular 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), simplifying the approval of sampling and collecting human genetic resources for the purpose of listing a drug in the PRC.

The Regulations of the PRC on the Administration of Human Genetic Resources (中華人民共和國人類遺傳資源管理條例) promulgated by the State Council on 28 May 2019, amended on 10 March 2024, and came into effect on 1 May 2024, further stipulates that using Chinese human genetic resources to carry out international scientific research cooperation shall meet certain conditions and subject to approval by the NHC. It also provides that any providing or opening for use of Chinese human genetic resources information to foreign organizations, individuals or institutions established or actually controlled by foreign organizations and individuals shall make filing to the NHC and shall submit information backup. To obtain the marketing license in China with respect to relevant drugs, prior to clinical trials using human genetic resources in clinical institutions, the types, quantities, and purposes of the human genetic resources shall be filed with the competent health authorities of the State Council. Approval is required for the export of human genetic resource materials.

The Implementation Rules of the Administration of Human Genetic Resources (人類遺傳資源管理條例實施細則), promulgated by the MOST on 26 May 2023 and became effective on 1 July 2023, further clarify the requirements for administrative licensing, record-filing and security review in respect of the collection, preservation, use, and outbound supply of Chinese human genetic resources, and detail the issues concerning relevant supervision, inspection and administrative penalties.

According to the Bio-security Law of the PRC (中華人民共和國生物安全法) promulgated by the SCNPC on 17 October 2020, amended on 26 April 2024 and became effective thereafter, where information on Chinese human genetic resources is to be provided or opened for use to foreign organizations, individuals or institutions established or actually controlled thereby foreign organizations and individuals, a report shall be filed in advance to the administrative department of the NHC and the information backup shall be submitted. It also provides that approvals are required to conduct international scientific research cooperation using Chinese biological resources. Furthermore, failure to comply with the requirement under the Bio-security Law of the PRC will result in the penalties, including fines, suspension of related activities and confiscation of related human genetic resources and gains generated from conducting these activities.

Drug Application, Registration and Marketing Authorization

According to the Administrative Measures for Drug Registration, upon completion of clinical trials, determination of quality standards, completion of validation of commercial-scale production processes, and preparation for acceptance of verification and inspection for drug registration, the applicant may apply to the NMPA for approval of a new drug application. The NMPA then determines whether to approve the application according to the comprehensive evaluation opinion provided by the CDE of the NMPA.

An applicant shall complete studies in pharmacy, pharmacology, and toxicology, as well as clinical trials of pharmaceuticals, according to the Administrative Measures for Drug Registration. The applicant shall submit an application for drug marketing authorization and the relevant research materials in accordance with the submission requirements after determining quality standards, verifying commercial scale, manufacturing process, and preparing to undergo examination and inspection for drug registration. Pursuant to the Administrative Measures for Drug Registration, drug marketing registration applications shall be subject to three categories, namely traditional Chinese drugs, chemical drugs and biological products. Among them, the registration applications of chemical drugs shall be categorized by innovative chemical drugs, improved new chemical drugs, generic chemical drugs, etc.

CDE shall assemble pharmacists, medical professionals, and other technical specialists to analyse the application thoroughly, examining the drug's safety, effectiveness, and quality control. After the comprehensive review, the drug shall be approved for marketing and a drug registration certificate shall be issued.

REGULATIONS ON INTELLECTUAL PROPERTY

Trademark

Pursuant to the Trademark Law of the PRC (中華人民共和國商標法) (the "**Trademark Law**"), which was promulgated by the SCNPC on 23 August 1982, last amended on 23 April 2019 and became effective on 1 November 2019, and the Implementation Regulation of the PRC Trademark Law (中華人民共和國商標法實施條例), which was adopted by the State Council on 3 August 2002, last amended on 29 April 2014, and became effective on 1 May 2014, the trademark registrants shall be entitled to the right to the exclusive use of their trademarks and shall be protected by law. A registered trademark is valid for ten years commencing on the date of registration approval. If a trademark registrant wishes to use a trademark after the expiration of the term of the registered trademark, he could conduct the renewal procedure in accordance with laws. The trademark registrant may, by concluding a trademark licensing contract, authorize other persons to use the registered trademark.

Patents

According to the Patent Law of the PRC (中華人民共和國專利法) promulgated by the SCNPC on 12 March 1984, and most recently amended on 17 October 2020, the Implementation Rules of the Patent Law of the PRC (中華人民共和國專利法實施細則), promulgated by the State Council on 15 June 2001, last amended on 11 December 2023, and effective from 20 January 2024, invention patents are valid for twenty years, utility model patents are valid for 10 years and design patents filed no later than May 31, 2021 are valid for 10 years while design patents filed on or after June 1, 2021 are valid for 15 years, from the date of application.

Copyright

In accordance with the Copyright Law of the PRC (中華人民共和國著作權法), which was promulgated by the SCNPC on 7 September 1990, last amended on 11 November 2020, and became effective on 1 June 2021, works of non-Chinese nationals or stateless persons which are first published in the territory of China shall enjoy copyright under this Law. Unless otherwise provided for by this Law, the copyright in a work shall be owned by its author. An author's rights of authorship, modification and integrity in respect of his/her work shall continue in perpetuity.

Domain Names

Domain names are protected under the Administrative Measures for Internet Domain Names (互聯網域名管理辦法) issued by the Ministry of Industry and Information Technology, or the MIIT, on 24 August 2017 and effective from 1 November 2017, and the Implementing Rules for National Top-

level Domain Registration (國家頂級域名註冊實施細則) issued by China Internet Network Information Centre on 18 June 2019, which became effective on the same day. The MIIT is the main regulatory body responsible for the administration of the PRC internet domain names. Domain name registrations are handled through domain name service agencies established under the relevant regulations, and the applicants become domain name holders upon successful registration.

REGULATIONS ON INFORMATION SECURITY AND DATA PROTECTION

Pursuant to the PRC Civil Code, the personal information of a natural person shall be protected by the law. An information processor shall not disclose or tamper with any personal information collected or stored thereby; and without the consent of the natural person, no personal information shall be illegally provided to any other person.

According to the Administration of Quality of Drug Clinical Practice, subject refers to any recipient of a drug for trial who participates in a clinical trial, including patients and healthy subjects. All data of a clinical trial, either in paper or electronic form, shall be properly recorded, processed and kept so that they can be accurately reported, interpreted and confirmed with the privacy of subjects and the confidentiality of their relevant information protected. No confidential item in the relevant identification records of subjects may be used publicly, and despite publication of the clinical trial results, subjects' identity information shall remain confidential.

Pursuant to the Data Security Law of the PRC (中華人民共和國數據安全法) promulgated by the SCNPC on 10 June 2021, which became effective on 1 September 2021, any organization or individual collecting data shall adopt lawful and proper methods and shall not steal data or obtain them by other illegal means. Where any law and administrative regulation contains provisions on the purpose or scope of data collection or use, data shall be collected and used for the purpose and within the scope prescribed by such law and administrative regulation.

Pursuant to the Personal Information Protection Law of the PRC (中華人民共和國個人信息保護法), which was promulgated by the SCNPC on 20 August 2021 and became effective on 1 November 2021, the personal information of any natural person shall be protected by law, and no organization or individual may infringe upon the personal information rights and interests of any natural person.

On 13 April 2020, the Cyberspace Administration of China, along with other 12 authorities, promulgated the Measures for Cybersecurity Reviews (網絡安全審查辦法), amended on 28 December 2021 and became effective on 15 February 2022, stipulate that the procurement of any network product or service by an operator of critical information infrastructure ("**CII**") or the conducting of data processing activities by a network platform operator, that affects or may affect national security, shall be subject to a cybersecurity review; a network platform operator that has the personal information of more than one million users must apply to the CRO for a cybersecurity review when it seeks to list overseas. According to the Regulations on Network Data Security Management (Draft for Comment) (網絡數據安全管理條例(徵求意見稿)) promulgated by the Cyberspace Administration of China on 14 November 2021, a data processor shall apply for a cybersecurity review in compliance with relevant national regulations if an **[REDACTED]** in Hong Kong to be conducted by the data processor, which will or may impact national security.

REGULATIONS ON MANAGEMENT OF REAL PROPERTY

State-owned Land

According to the Regulations on the Implementation of the Land Administration Law of the PRC (中華人民共和國土地管理法實施條例) promulgated by the State Council on 4 January 1991, last amended on 2 July 2021 and became effective on 1 September 2021, in order to use state-owned land, the user should acquire the land in the form of paid use, including transfer of state-owned land use right.

On 19 May 1990, the State Council promulgated the Interim Regulations of the PRC on the Assignment and Transfer of the Rights to the Use of State-owned Urban Land (中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例), amended on 29 November 2020, and became effective thereafter, which stipulate that the assignment of the right to the use of the land refers to the act of the State as the owner of the land who, within the term of a certain number of years, assigns the right to the use of the land to land users, who shall in turn pay fees for the assignment thereof to the State. An assignment contract shall be signed for assigning the right to the use of the land.

Leased Property

The Administrative Measures for Commodity Housing Tenancy (商品房屋租賃管理辦法), which was promulgated by the Ministry of Housing and Urban-Rural Development on 1 December 2010 and became effective on 1 February 2011, stipulate that the lessor and the lessee shall complete property leasing registration and filing formalities within 30 days from execution of the property lease contract with the development (real estate) department of the People's Government of the centrally-administrated municipality, municipality or county where the leased property is located. Otherwise, the competent construction (real estate) departments shall urge the organisation to make corrections within a specified time limit, and shall impose a fine between RMB1,000 and RMB10,000 on units which fail to make corrections within the specified time limit.

REGULATIONS ON ENVIRONMENTAL PROTECTION AND FIRE PREVENTION

Environmental Protection

According to the Environmental Protection Law of the PRC (中華人民共和國環境保護法), promulgated by the SCNPC on 26 December 1989, amended on 24 April 2014 and came into effect on 1 January 2015, and the Administrative Regulations on the Environmental Protection of Construction Project (建設項目環境保護管理條例) (the "**Construction Environmental Protection Rule**"), promulgated by the State Council on 29 November 1998 and amended on 16 July 2017, and other relevant environmental laws and regulations, enterprises which plan to construct projects shall provide the assessment reports, assessment form, or registration form on the environmental impact of such projects with relevant environmental protection administrative authority for approval or filing. Enterprises may entrust a technical entity to conduct an environmental impact assessment of its construction projects and prepare environmental impact reports and environmental impact statements on construction projects. If a construction entity has the technical capability of environmental impact assessment, it may carry out the above activities itself.

Inspection and Acceptance of Environmental Protection Facilities

The Construction Environmental Protection Rule also requires that upon completion of construction for which an environmental impact report or environmental impact statement is formulated, the constructor shall conduct an 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.

Environmental Impact Assessment

According to the Environmental Impact Assessment Law of the PRC (中華人民共和國環境影響評價法), promulgated by the SCNPC on 28 October 2002 and last amended on 29 December 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.

Fire Protection Design Approval and Filing

The Fire Prevention Law of the PRC (中華人民共和國消防法) (the "**Fire Prevention Law**") was adopted on 29 April 1998 and latest amended on 29 April 2021. According to the Fire Prevention Law and other relevant laws and regulations of the PRC, the Emergency Management Authority of the State Council and its local counterparts at or above county level shall monitor and administer the fire prevention affairs. The Fire and Rescue Department of the People's Government are responsible for implementation. The Fire Prevention Law provides that the fire prevention design or construction of a construction project must conform to the national fire prevention technical standards (as the case may be). According to the Interim Provisions on the Administration of Fire Protection Design Review and Final Inspection 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 on April 1, 2020, last amended on 21 August 2023 and became effective on 30 October 2023, special construction projects as defined under such Interim Provisions shall conduct fire protection design review and fire protection final inspection, construction projects other than such special construction projects shall fill protection design and acceptance of the project with competent authority.

REGULATIONS ON FOREIGN EXCHANGE

Foreign Exchange Administration

The principal regulations governing foreign currency exchange in China include the Regulations of the PRC on Foreign Exchange Administration (中華人民共和國外匯管理條例), which was promulgated by the State Council on 29 January 1996, amended on 5 August 2008 and became effective thereafter. Under the PRC foreign exchange regulations, payments of current account items, such as

profit distributions and trade and service-related foreign exchange transactions, may be made in foreign currencies without prior approval from the State Administration of Foreign Exchange (the "**SAFE**") by complying with certain procedural requirements. By contrast, approval from or registration with appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of foreign currency-denominated loans or foreign currency is to be remitted into China under the capital account, such as a capital increase or foreign currency loans to our PRC subsidiary.

According to the Circular of the State Administration of Exchange Control on Further Improving and Adjusting the Foreign Exchange Policies on Direct Investment (國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知) and its appendix, the Operating Rules for Foreign Exchange Issues with Regard to Direct Investment under Capital Account (資本項目直接投資外匯業務操作規程), promulgated on 19 November 2012 and amended on 4 May 2015 by the SAFE, (1) the opening of and payment into foreign exchange accounts under direct investment accounts are no longer subject to approval by the SAFE; (2) reinvestment with legal income of foreign investors in China is no longer subject to approval by SAFE; (3) the procedures for capital verification and confirmation that foreign-funded enterprises need to go through are simplified; (4) purchase and external payment of foreign exchange under direct investment accounts are no longer subject to approval by SAFE; (5) domestic transfer of foreign exchange under direct investment account is no longer subject to approval by SAFE; and (6) the administration over the conversion of foreign exchange capital of foreign-invested enterprises is improved. Later, on 13 February 2015, the SAFE issued the Circular on Further Simplifying and Improving Foreign Exchange Administration Policies in Respect of Direct Investment (關於進一步簡化和改進直接投資外匯管理政策的通知), effective from 1 June 2015 and amended on 30 December 2019, which prescribed that the bank instead of SAFE can directly handle the foreign exchange registration and approval under foreign direct investment while SAFE and its branches indirectly supervise the foreign exchange registration and approval under foreign direct investment through the bank.

According to the Circular on the Reform of the Management Method for the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知) promulgated by the SAFE on 30 March 2015, effective from 1 June 2015 and as amended on 30 December 2019 and 23 March 2023, and the Circular on the Reform and Standardization of the Management Policy of the Settlement of Capital Projects (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) promulgated by the SAFE on 9 June 2016, and as amended on 4 December 2023, the settlement of foreign exchange by foreign invested enterprises shall be governed by the policy of foreign exchange settlement on a discretionary basis. However, the settlement of foreign exchange shall only be used for its own operation purposes within the business scope of the foreign invested enterprises and following the principles of authenticity.

The SAFE promulgated the Circular of the State Administration of Foreign Exchange on Issues concerning Foreign Exchange Administration over the Overseas Investment and Financing and Round-trip Investment by Domestic Residents via Special-Purpose Vehicles (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) (the "**SAFE Circular 37**"), on 4 July 2014. The SAFE Circular 37 requires PRC residents to register with the local branches of SAFE in connection

with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests. Failure to comply with the SAFE registration requirements could result in liability under PRC law for evasion of foreign exchange controls. The Circular on Further Simplifying and Improving Foreign Exchange Administration Policies in Respect of Direct Investment provides that the bank instead of SAFE can directly handle the initial foreign exchange registration and amendment registration under SAFE Circular 37.

Employee Stock Incentive Plan

On 15 February 2012, the SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly Listed Companies (國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知) (the "**Stock Option Rules**"), which prescribed that PRC citizens or non-PRC citizens residing in China for a continuous period of no less than one year (except for foreign diplomatic personnel in China and representatives of international organizations in China) who participate in any stock incentive plan of an overseas publicly listed company shall, through the domestic company to which the said company is affiliated, collectively entrust a domestic agency (may be the Chinese affiliate of the overseas publicly listed company which participates in stock incentive plan, or other domestic institutions qualified for asset trust business lawfully designated by such company) to handle foreign exchange registration, and entrust an overseas institution to handle issues like exercise of options, purchase and sale of corresponding stocks or equity, and transfer of corresponding funds. In addition, the domestic agency is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan. Moreover, the SAFE Circular 37 provides that PRC residents who participate in a share incentive plan of an overseas unlisted special purpose company may register with local branches of SAFE before exercising rights.

REGULATIONS ON OVERSEAS OFFERING AND LISTING

Pursuant to 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) promulgated by the China Securities Regulatory Commission (the "**CSRC**") on 17 February 2023, which became effective on 31 March 2023, where a domestic company seeks to directly or indirectly offer and list securities in overseas markets, the issuer or the designated entity shall file with the CSRC within three business days after the application for initial public offering is submitted. Any overseas offering and listing made by an issuer that meets both the following conditions will be determined as indirect: (1) 50% or more of the issuer's operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent accounting year is accounted for by domestic companies; and (2) the main parts of the issuer's business activities are conducted in the Chinese Mainland, or its main places of business are located in the Chinese Mainland, or the senior managers in charge of its business operation and management are mostly Chinese citizens or domiciled in the Chinese Mainland. The determination of the indirect overseas offering and listing of PRC domestic companies shall follow the principle of substance-over-form.

REGULATIONS ON TAXATION

Enterprise Income Tax

According to the Law of the PRC on Enterprise Income Tax (中華人民共和國企業所得税法) (the "**EIT Law**"), which was promulgated by the SCNPC on 16 March 2007, last amended and became effective on 29 December 2018, and the Implementing Regulations 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) (the "**EIT Implementing Regulations**"), which was promulgated by the State Council on 6 December 2007, last amended on 23 April 2019, enterprises are classified into resident enterprises and non-resident enterprises. The EIT Law generally imposes a uniform enterprise income tax rate of 25% on all resident enterprises in China, including foreign-invested enterprises. However, the enterprise income tax on important high- and new-tech enterprises that are necessary to be supported by the state shall be levied at the reduced tax rate of 15%.

According to the Agreement 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) promulgated by the State Administration of Taxation and became effective on 8 December 2006, if the non-PRC parent company of a PRC enterprise is a Hong Kong resident which beneficially owns a 25% or more interest in the PRC enterprise, the 10% withholding tax rate applicable under the EIT Law may be lowered to 5% for dividends and 7% for interest payments once approvals have been obtained from the relevant tax authorities.

Value-added Tax

All entities and individuals engaged in the sales of goods, provision of processing, repairs and replacement services, the sale of service, intangible assets and real estate and the importation of goods within the territory of the PRC shall pay value-added tax (the "**VAT**") in accordance with the Interim Value-added Tax Regulations of the PRC (中華人民共和國增值税暫行條例) (the "**VAT Regulations**"), which was promulgated by the State Council on 13 December 1993, last amended and became effective on 19 November 2017, and the Implementing Rules for the Interim Regulations of the PRC on Value-added Tax (中華人民共和國增值税暫行條例實施細則), which was promulgated by the Ministry of Finance (the "**MOF**") on 25 December 1993, last amended on 28 October 2011, and took effect on 1 November 2011.

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) issued by the MOF, the State Taxation Administration and the General Administration of Customs, with respect to VAT taxable sales or imported goods of a VAT general taxpayer, where the VAT rate of 16% applies currently, it shall be adjusted to 13%; the current applicable VAT rate of 10% shall be adjusted to 9%. The period-end VAT credit rebate system shall be implemented tentatively as of 1 April 2019.

REGULATIONS ON EMPLOYMENT, SOCIAL INSURANCE, AND HOUSING PROVIDENT FUND

Employment

According to the PRC Labour Law (中華人民共和國勞動法), which was promulgated by the SCNPC on 5 July 1994, last amended and became effective on December 29, 2018, an employer shall develop and improve its rules and regulations to safeguard the rights of its employees, who are entitled to fair employment, choice of occupation, labour remuneration, leave, a safe workplace, a sanitation system, social insurance and welfare, and certain other rights. An employer shall develop and improve its labour safety and sanitation system, stringently implement national protocols and standards on labour safety and sanitation, conduct labour safety and sanitation education for employers, guard against labour accidents and reduce occupational hazards.

On 29 June 2007, the SCNPC promulgated the PRC Labour Contract Law (中華人民共和國勞動合同法) (the "**Labour Contract Law**"), which was amended on 28 December 2012 with effect from July 1, 2013, and the State Council promulgated the Implementing Regulations of the Labour Contract Law of the PRC (中華人民共和國勞動合同法實施條例) with immediate effect from 18 September 2008. The aim of the Labour Contract Law and its Implementing Regulation is primarily at regulating employee/employer rights and obligations, including matters with respect to the establishment, performance, and termination of labour contracts. Pursuant to the Labour Contract Law and its Implementing Regulation, a written labour contract shall be executed by an employer and an employee when the employment relationship is established. Employers are forbidden to force or in a disguised manner force employees to work beyond the time limit, and employers shall pay employees for overtime work in line with related state rules and regulations. In addition, labour wages shall not be lower than local standards on minimum wages and shall be paid to employees in a timely manner.

Social Insurance and Housing Provident Fund

As required under the Social Insurance Law of the PRC (中華人民共和國社會保險法) promulgated on 28 October 2010 by the SCNPC, amended on 29 December 2018 and became effective thereafter, an employer shall, within thirty days from the date of establishment of the entity, proceed with the business license, registration certificate or entity seal to the local social insurance agency to apply for social insurance registration. The social insurance agency shall complete the check and review process and issue social insurance registration certificate to the employer within fifteen days from receipt of the application.

According to the Regulations on the Administration of Housing Provident Fund (住房公積金管理條例), which was promulgated on 3 April 1999 by the State Council, last amended on 24 March 2019 and became effective thereafter, a newly established entity shall go to the housing provident fund management centre to undertake housing provident fund payment and deposit registration within 30 days from the date of its establishment, and go through the formalities of opening housing provident fund accounts on behalf of its employees within 20 days from the date of the registration.

OVERVIEW

Prior to the **[REDACTED]**, our Group has entered into certain transactions with parties who will, upon the **[REDACTED]**, become connected persons (as defined in the Listing Rules) of our Company. Details of the non-exempt continuing connected transaction of our Company following the **[REDACTED]** are set out below.

ONE-OFF CONNECTED TRANSACTION

Property Lease Arrangement

Principal Terms

Beijing Zephyrm has entered into a property lease agreement (the "**Property Lease Agreement**") with Beijing Zhimeng Jiaye Technology Co., Ltd. (北京智盟嘉業科技有限公司) ("**Zhimeng Jiaye**"), a company controlled by Mr. Dong, our executive Director, with effect from September 1, 2023, pursuant to which Zhimeng Jiaye agreed to, among others, lease to us the premises with a total gross area of 2,196.76 sq.m. located at Room 101, 1–5 Floors, Unit 7, Block 8, Heying Road, Changping District, Beijing, PRC (中國北京市昌平區何營路8號院7號樓1-5層101房間) (the "**Leased Premises**") for the purposes of research and development and office use.

The Property Lease Agreement has an initial term commencing from September 1, 2023 till August 31, 2028 and the lease may be renewed on terms as the parties may mutually agree, subject to compliance with the requirements under applicable laws and regulations.

The Property Lease Agreement were entered into (i) in the ordinary and usual course of business of our Group, (ii) on arm's length basis, and (iii) on normal commercial terms with the rent being determined with reference to, among others, the prevailing market rates for similar properties in the same area and the corresponding property management costs for the Leased Premises.

The value of the lease liabilities which includes the present value of the lease payments recognized by our Company according to IFRS 16 as at June 30, 2024 amounted to approximately RMB10.12 million. The lease payments to Zhimeng Jiaye in relation to the Property Lease Arrangement for the two years ended December 31, 2022 and 2023 and the six months ended June 30, 2024 was nil, RMB0.68 million and RMB1.36 million, respectively.

Reasons for and Benefits of the Transaction

We have been using the Leased Premises for the purpose research and development and office since 2023. The continuation of such leases is cost efficient and is beneficial to our operations. As (i) according to relevant regulation requirements, the locations for manufacture and R&D for pharmaceutical productions shall be separated, and (ii) it is more stable and beneficial of long-term development when the leasing party is under the control of our connected person. In light of the above, our Directors are of the view that such arrangement is in the best interest of our Group and our Shareholders as a whole. Notwithstanding the above, our Directors (including the independent non-executive Directors) are of

the view that the contemplated connected transactions under the Property Lease Agreement will have no negative impact on our Group, and do not affect our operational independence.

Listing Rules Implications

In accordance with IFRS 16 "Leases", our Company recognized a right-of-use asset on its balance sheet in connection with the lease of the properties from Zhimeng Jiaye. Therefore, the lease of the Leased Premises from Zhimeng Jiaye under the Property Lease Agreement will be regarded as an acquisition of a capital asset and a one-off connected transaction of our Company for the purposes of the Listing Rules. Accordingly, the reporting, announcement, annual review and independent shareholders' approval requirements in Chapter 14A of the Listing Rules will not be applicable. In the event that there is any material change to the terms and conditions of the Property Lease Agreement, we shall comply with Chapter 14A of the Listing Rules in respect of such agreement as and when appropriate, including, where required, seeking independent shareholders' approval prior to effectuating such changes.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS – CONTRACTUAL ARRANGEMENTS

Background and Principle Terms

As disclosed in "Contractual Arrangements" in this document, due to regulatory restrictions on foreign ownership in China, we do not hold any equity interests in the Consolidated Affiliated Entities, but effectively control the Consolidated Affiliated Entities and are able to derive substantially all of their economic benefits through the Contractual Arrangements. For details, see "Contractual Arrangements" in this document.

Listing Rules Implications

The transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of our Company under the Listing Rules upon **[REDACTED]** as certain parties to the Contractual Arrangements, including Beijing Xiangjing, Zephyrm Tongchuang, Shenzhen Yonglong, Beijing Yingsheng, Beijing Yingshi, Beijing Yingshi Phase II, Gongqingcheng Zhongquan and Beijing Xietai are connected persons of our Group pursuant to Chapter 14A of the Listing Rules.

The highest applicable percentage ratio under the Listing Rules in respect of the transactions associated with the Contractual Arrangements is expected to be more than 5%. As such, these transactions will be subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Reasons for the Continuing Connected Transactions and Waiver Application

Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated therein are fundamental to our legal structure and business operations. Our Directors also believe that our structure places our Group in a special

position in relation to the connected transactions rules whereby the financial results of the Consolidated Affiliated Entities are consolidated into our financial statements as if they were our Company's wholly-owned subsidiaries, and all the economic benefits of their business flows to our Group.

Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements and any new transactions, contracts and agreements or renewal of existing transactions, contracts and agreements to be entered into, among others, by the Consolidated Affiliated Entities and any member of our Group from time to time (including the Consolidated Affiliated Entities) (the "**New Intergroup Agreements**") technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company, for all such transactions to be subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including the announcement, circular and independent shareholders' approval requirements.

WAIVER

In respect of the Contractual Arrangements and the New Intergroup Agreements, we have applied for, and the Stock Exchange [has granted] us, a waiver from strict compliance with (i) the announcement, circular and independent shareholders' approval requirements pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement to set a term of three years or less under Rule 14A.52 of the Listing Rules, and (iii) the requirement to set annual caps under Rule 14A.53 of the Listing Rules subject to the following conditions.

No change without independent non-executive Directors' approval

Save as described below, no change to the Contractual Arrangements (including with respect to any fees payable to the Zephyrm Boda thereunder) will be made without the approval of our independent non-executive Directors.

No change without independent Shareholders' approval

Save as described below, no change to the agreements governing the Contractual Arrangements will be made without the approval of our independent Shareholders. Once independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent Shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company will however continue to be applicable.

Economic benefits and flexibility

The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by the Consolidated Affiliated Entities through (i) our Group's options (if and when so allowed under the applicable PRC laws) to acquire, all or part of the equity interests in the Consolidated Affiliated Entities for nil consideration or the minimum amount of consideration permitted by applicable PRC

laws, (ii) the business structure under which the profit generated by the Consolidated Affiliated Entities is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to the Zephyrm Boda by our Consolidated Affiliated Entities under the Contractual Arrangements, and (iii) our Group's right to control the management and operation of, as well as, in substance, a substantial portion of the voting rights of the Consolidated Affiliated Entities.

Renewal and reproduction

On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between (i) our Company and the subsidiaries in which our Company has direct shareholding and (ii) the Consolidated Affiliated Entities, this framework may be renewed and/or reproduced without an announcement, circular, or obtaining the approval of our Shareholders (i) upon the expiry of the existing arrangements, (ii) in connection with any changes to the shareholders or directors of, or of their shareholdings in, the Consolidated Affiliated Entities, or (iii) in relation to any existing, new or acquired wholly foreign-owned enterprise or operating company (including branch company) engaging in a business similar or relating to those of our Group.

The directors, chief executive or substantial shareholders of any existing, new or acquired wholly foreign-owned enterprise or operating company (including branch company) engaging in a business similar or relating to those of our Group will, upon renewal and/or reproduction of the Contractual Arrangements, be treated as connected persons of our Group and transactions between these connected persons and our Group other than those under similar Contractual Arrangements shall comply with Chapter 14A of the Listing Rules.

This condition is subject to relevant PRC laws, regulations and approvals. Any such renewed or reproduced agreements will be on substantially the same terms and conditions as the existing Contractual Arrangements.

Ongoing reporting and approvals

We will disclose details relating to the Contractual Arrangements on an ongoing basis:

(a) the Contractual Arrangements in place during each financial period will be disclosed in our Company's annual report and accounts in accordance with the relevant provisions of the Listing Rules;

(b) our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our Company's annual report that for the relevant year (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements, (ii) no dividends or other distributions have been made by the Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group, and (iii) any new contracts entered into, renewed or reproduced between our Group and the Consolidated Affiliated Entities are fair and reasonable, or advantageous to our Shareholders, so far as our Group is concerned and in the interests of our Shareholders as a whole;

(c) our Company's auditors will carry out review procedures annually on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to our Directors with a copy to the Stock Exchange, confirming that the transactions have been approved by our Board, have been entered into in accordance with the relevant Contractual Arrangements and that no dividends or other distributions have been made by our Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group;

(d) for the purpose of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", the Consolidated Affiliated Entities will be treated as our Company's subsidiaries, but at the same time, the directors, chief executives or substantial shareholders of the Consolidated Affiliated Entities and its associates will be treated as connected persons of our Company as applicable under the Listing Rules (excluding for this purpose, the Consolidated Affiliated Entities themselves), and therefore the transactions between these connected persons and our Group (including for this purpose, the Consolidated Affiliated Entities), other than those under the Contractual Arrangements, will be subject to the applicable requirements under Chapter 14A of the Listing Rules; and

(e) the Consolidated Affiliated Entities will, for so long as our **[REDACTED]** are **[REDACTED]** on the Stock Exchange, provide our Group's management and our Company's auditors with full access to their relevant records for the purpose of reporting on the connected transactions.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated therein are fundamental to our Group's legal structure and business, that such transactions have been and will be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable and in the interests of our Company and the Shareholders as a whole, and with respect to the term of the Contractual Arrangements Agreements which is of a duration of longer than three years, taking into consideration the reasons for entering into the Contractual Arrangements with details set out in this section above, it is reasonable for these agreements to be for a duration of more than three years and it is normal business practice for agreements of this type to be of such duration. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, the Directors consider that, given that our Group is placed in a special situation in relation to the connected transactions rules under the Contractual Arrangements, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules.

CONFIRMATION FROM THE SOLE SPONSOR

Based on the documentation provided by our Company and the Sole Sponsor's participation in the due diligence and discussion with the management of our Company and the PRC Legal Adviser, the Sole Sponsor is of the view that the Contractual Arrangements are fundamental to our Group's legal structure and business operations and that the Contractual Arrangements have been entered into in the ordinary and usual course of business, on normal commercial terms and are fair and reasonable and are in the interests of the Shareholders as a whole.

The Sole Sponsor is of the view that with respect to the term of those Contractual Arrangements Agreements which is of a duration of longer than three years, taking into consideration the reasons for entering into the Contractual Arrangements with details set out in this section above, it is reasonable for these agreements to be for a duration of more than three years and it is normal business practice for agreements of this type to be of such duration.

BOARD OF DIRECTORS

The following table sets forth general information regarding our current Directors:

Name	Position	Age	Date of appointment as Director	Time of joining our Group	Role and responsibilities	Relationship with other Directors and senior management
Dr. Yu Alex ZHANG	Chief executive officer, chairman of the Board and the executive Director	57	September 15, 2021	May 7, 2018	Responsible for the overall corporate, business strategies, daily operation and management, overall strategy, planning and development, and technology research of our Group	None
Mr. DONG Xin (董鑫)	Chief financial officer and the executive Director	45	September 29, 2024	May 7, 2018	Responsible for the overall corporate, business strategies, daily operation and management, formulating overall investment and financing strategy, cash flow planning and market operations of our Group	None
Dr. JIA Yi (賈懿)	Chief medical officer and the executive Director	48	September 29, 2024	May 7, 2018	Responsible for the overall corporate, business strategies, daily operation and management, the strategic planning of the clinical medicine of our Group	None
Mr. WANG Bangyuan (王邦源)	Non-executive Director	30	September 29, 2024	October 31, 2023	Responsible for providing guidance and advice on the corporate and business strategies to the Board	None
Ms. LI Li (李黎)	Non-executive Director	70	September 29, 2024	October 31, 2023	Responsible for providing guidance and advice on the corporate and business strategies to the Board	None

Name	Position	Age	Date of appointment as Director	Time of joining our Group	Role and responsibilities	Relationship with other Directors and senior management
Ms. ZHANG Xiaoge (張曉舸)	Non-executive Director	51	September 29, 2024	December 26, 2019	Responsible for providing guidance and advice on the corporate and business strategies to the Board	None
Mr. CHEN Hongwu (陳洪武)	Non-executive Director	54	September 29, 2024	April 15, 2021	Responsible for providing guidance and advice on the corporate and business strategies to the Board	None
Mr. YU Xiang (于翔)	Non-executive Director	38	September 29, 2024	December 6, 2019	Responsible for providing guidance and advice on the corporate and business strategies to the Board	None
Dr. CAO Wei (曹衛)	Independent non-executive Director	66	September 29, 2024 (being effective upon the **[REDACTED]**)	**[REDACTED]**	Responsible for supervising and providing independent advice to the Board	None
Dr. Frank Ningjun JIANG	Independent non-executive Director	63	September 29, 2024 (being effective upon the **[REDACTED]**)	**[REDACTED]**	Responsible for supervising and providing independent advice to the Board	None
Dr. TANG Qiqun (湯其群)	Independent non-executive Director	58	September 29, 2024 (being effective upon the **[REDACTED]**)	**[REDACTED]**	Responsible for supervising and providing independent advice to the Board	None
Dr. HU Danqi (胡丹琪)	Independent non-executive Director	38	September 29, 2024 (being effective upon the **[REDACTED]**	**[REDACTED]**	Responsible for supervising and providing independent advice to the Board	None

Our Board currently consists of 12 Directors, comprising three executive Directors, five non-executive Directors and four 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 sets forth the biographies of our Directors:

Executive Directors

Dr. Yu Alex ZHANG, aged 57, was appointed as a Director on September 15, 2021. He was re-designated as an executive Director and further appointed as the chairman and chief executive officer on September 29, 2024. From May 2018 to December 2018, he was the chief scientific officer of Suzhou Zephyrm and has been serving as a director since July 2024. Since January 2019, he has been serving as the chief executive officer and the chief scientific officer, and has been serving as a director since August 2024 of Beijing Zephyrm. He is mainly responsible for the overall corporate, business strategies, daily operation and management, overall strategy, planning and development, and technology research of our Group.

From 1994 to 2000, he pursued postdoctoral research and was a research fellow at the Department of Biological Sciences of Stanford University. From 2001 to 2008, he served as the professor and director of the Cell Therapy Center of Xuanwu Hospital of the Capital Medical University (首都醫科大學宣武醫院) where he carried out research on human neural stem cells and pancreatic islet stem cells, and started on transplantation experiments of cultured cells into animal models. In the early 2000s, he served as an affiliated scientist at the Wisconsin National Primate Research Center where he primarily conducted the research on nonhuman primate models of Parkinson's disease. From May 2008 to May 2018, he worked at Sanofi, an innovative global healthcare company, where he successively served as the Head of the China R&D and the Chief Scientific Officer of the Asia-Pacific Hub.

Dr. Zhang was awarded a number of reputable honors including, among others, (i) Damon Runyon-Walter Winchell Postdoctoral Fellowship by Cancer Research Fund in 1994, (ii) National Research Service Award by U.S. National Institutes of Health in 1998, and (iii) New Century Excellent Talents of the Ministry of Education (教育部新世紀優秀人才) by the Ministry of Education in 2004.

Dr. Zhang also participated in a number of academic activities including, among others, (i) a member of the Standard Working Committee of Chinese Society for Cell Biology (中國細胞生物學會標準工作委員會), (ii) a Council member of the Pacific Accreditation Council of Association for Assessment and Accreditation of Laboratory Animal Care International (AAALAC International) from 2008 to 2013, and (iii) a Council member of Chinese Society for Stem Cell Research (中國細胞生物學會幹細胞分會).

Dr. Zhang obtained a bachelor's degree in biology from the University of Science and Technology of China (中國科學技術大學) in the PRC in July 1987. He obtained a doctoral degree in biochemistry from Northwestern University in the United States in June 1994.

Mr. DONG Xin (董鑫), aged 45, was appointed as a Director and chief financial officer on September 29, 2024, and re-designated as an executive Director on September 29, 2024. He joined Suzhou Zephyrm as the chief financial officer since May 2018 and has been serving as a director since January 2020. Since January 2019, he has been serving as the chief financial officer of Beijing Zephyrm where he is primarily responsible for the financial work. He is mainly responsible for the overall corporate, business strategies, daily operation and management, formulating the overall investment and financing strategy, cash flow planning and market operations of our Group.

From August 2001 to December 2017, Mr. Dong successively served a various of positions within HNA Group Co., Ltd. (海航集團有限公司), including, among others, a director of HNA Hotel Holdings Ltd. (海航酒店控股集團有限公司), a director of Shaanxi HNA Haisheng Investment Co., Ltd. (陝西海航海盛投資有限公司), the chairman of the board of HNA Real Estate Holdings (Group) Co., Ltd. (海航置業控股(集團)有限公司) and the chairman of Beijing Xinsheng Medical Investment Management Co., Ltd. (北京新生醫療投資管理有限公司).

Mr. Dong obtained a bachelor's degree in accounting from Hunan University (湖南大學) in the PRC in June 2001.

Dr. JIA Yi (賈懿), aged 48, was appointed as a Director and re-designated as an executive Director on September 29, 2024. He was appointed as the chief medical officer on September 29, 2024. From May 2018 to December 2018, he served as the chief medical officer of Suzhou Zephyrm and has been serving as a director since May 2018. Since January 2019, he has been serving as the chief medical officer of Beijing Zephyrm. He is mainly responsible for the overall corporate, business strategies, daily operation and management, the strategic planning of the clinical medicine of our Group.

Dr. Jia had been involved in the clinical practice and innovative drug development for more than 24 years. From 1999 to 2005, he served as a physician of the Department of Urology at Shanghai Huadong Hospital (上海華東醫院泌尿外科). From September 2005 to July 2009, he was studying for his doctor's degree in surgery at Peking Union Medical College (北京協和醫學院). From 2009 to 2011, he served at the International Research and Development Center of Bayer Healthcare Co., Ltd. (拜耳醫藥保健有限公司國際研發中心), a company engaged in innovative drugs research and development, with his last position as a study medical expert. From 2011 to 2013, he served as a clinical science manager of clinical research and development at Ferring China's Beijing Research and Development Center (輝淩中國北京研發中心), a company that is primarily engaged in innovative drugs research and development, where he was mainly responsible for the clinical research and development in China. From 2013 to 2018, he served as a director of Allergan, a company specializing in development and marketing of innovative drugs. He was mainly responsible for leading the clinical research and development efforts of the company's innovative drugs and medical products in China.

Dr. Jia obtained a bachelor's degree in clinical medicine from Shanghai Medical University (上海醫科大學) (currently known as Shanghai Medical College, Fudan University (復旦大學上海醫學院)) in July 1999. He obtained a master's degree in surgery from Imperial College London in November 2004 and a doctoral degree in surgery from Peking Union Medical College (北京協和醫學院) in July 2009.

Non-executive Directors

Mr. WANG Bangyuan (王邦源), aged 30, was appointed as a Director on September 29, 2024 and re-designated as a non-executive Director of our Company on September 29, 2024. He joined our Group and was appointed as a director of Suzhou Zephyrm on October 31, 2023, where he is responsible for proactively connecting with the capital markets and providing consultations. Mr. Wang is responsible for providing guidance and advice on the corporate and business strategies to the Board.

From July 2019 to May 2022, Mr. Wang worked for CICCB (Shenzhen) Investment Management Centre (Limited Partnership) (金建(深圳)投資管理中心(有限合夥)), a company established in the PRC with limited liability principally engaged in private equity investment, with the positions including investment manager, senior investment manager and investment director, and he was primarily responsible for equity investment in biomedical field. Subsequently, Mr. Wang served as a business vice president of CCB (Beijing) Investment Fund Management Co., Ltd. (建信(北京)投資基金管理有限責任公司), a company established in the PRC with limited liability principally engaged in investment and fund management, where he was mainly responsible for the biopharmaceutical equity investment.

Mr. Wang obtained his bachelor's degree in pharmaceutical science from Beijing University of Chinese Medicine (北京中醫藥大學) in June 2016, and his master's degree in pharmaceutical science from Peking Union Medical College, Tsinghua University Health Science Center (北京協和醫學院(清華大學醫學部)) in the PRC in July 2019.

Ms. LI Li (李黎), aged 70, was appointed as a Director on September 29, 2024 and re-designated as a non-executive Director of our Company on September 29, 2024. She joined our Group and was appointed as a director on October 31, 2023. Ms. Li is primarily responsible for providing guidance and advice on the corporate and business strategies to the Board.

From March 1991 to June 2002, Ms. Li served as a lawyer and partner of Winthrop Stimson Putnam & Roberts LLP Law Firm (a law firm which merged with Pillsbury in 2001 and formed Pillsbury Winthrop Shaw Pittman LLP). From 2002 to 2011, she worked at Debevoise & Plimpton LLP and served as a partner starting from 2005. From January 2011 to December 2012, she served as the director of the Beijing office of Cleary Gottlieb Steen & Hamilton LLP. From January 2013 to December 2015, she has served as a partner in China of Weil, Gotshal & Manges LLP, where she then became the chief representative in China from January 2021 to March 2024. She served as the chairperson of the supervisory board of Baoshan Iron and Steel Company Limited (寶山鋼鐵股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600019) for two terms of offices from May 2006 to April 2012 and as an independent director of the company from April 2015 to May 2018, where she was responsible for presiding over the work of the board of supervisors, organizing inspections, supervising the directors, managers and other management personnel who have violated laws, regulations, articles of association and shareholders' meeting resolutions, proposing to convene the board of directors and etc.

Ms. Li obtained a master's degree in economics from Duke University in May 1987. In February 1991, she obtained a juris doctor degree from Columbia University School of Law.

Ms. Li was admitted to practice law in the State of New York with the New York bar qualification in October 1991.

Ms. ZHANG Xiaoge (張曉舸), aged 51, joined our Group as a director of Suzhou Zephyrm on December 26, 2019 and was appointed as a Director on September 29, 2024 and re-designated as a non-executive Director on September 29, 2024. Ms. Zhang is responsible for providing guidance and advice on the corporate and business strategies to the Board.

Ms. Zhang joined Jinan Qingqi Motorcycles Co., Ltd. (濟南輕騎摩托車股份有限公司), (a company listed on the Shanghai Stock Exchange (stock code: 600698) and currently known as Hunan Tyen Machinery Co., Ltd. (湖南天雁機械股份有限公司) by way of a significant asset restructuring in 2012), which was specializing in motorcycle production sales in 1994 and served as a securities affairs representative since November 2007, during which Ms. Zhang was mainly responsible for company information disclosure. Ms. Zhang confirmed that such delisting was not caused by any fraudulence or misconduct on her part. Ms. Zhang was not aware of any actual or potential liability or obligation imposed on or will be made against her by virtue of deregistration of the delisted company. Since May 2012, she has been serving as deputy general manager of Shandong Huayi Group Co., Ltd. (山東華藝集團有限公司), a diversified business group specializing in real estate development, construction materials, manufacturing and financial services, during which she was mainly responsible for corporate management business.

Ms. Zhang graduated from Fudan University (復旦大學) majoring in world economy in the PRC in July 1994. She graduated from Shandong Institute of Economics (山東經濟學院) majoring in accounting computerization through part-time study in the PRC in July 1998.

Ms. Zhang was awarded with the senior economist by the Shandong Provincial Government in December 2003.

Mr. CHEN Hongwu (陳洪武), aged 54, was appointed as a Director on September 29, 2024 and re-designated as a non-executive Director of our Company on September 29, 2024. He was appointed as a director of Suzhou Zephyrm on April 15, 2021. Mr. Chen is responsible for providing guidance and advice on the corporate and business strategies to the Board.

From February 2004 to January 2009, Mr. Chen served as a vice president of IDGVC Partners (IDGVC創業投資基金), (currently known as IDG Capital (IDG資本)), a company specializing in investment management, investment consulting and asset management industry, during which he was responsible for the project investment. From February 2009 to August 2011, he was a partner at of CXC Sustainable Growth Capital Investment Enterprise (開投成長創業投資企業), a company that is primarily engaged in investment management, investment consulting and asset management industry, where he was responsible for daily management and coordination, industry investment and organization. Since August 2011, he successively served as a general manager and executive director of Cash Capital (Beijing) Investment Management Co., Ltd (國科嘉和(北京)投資管理有限公司), a company that is primarily engaged in investment management, investment consulting and asset management industry.

Mr. Chen also served as a director of Emdoor Information Co., Ltd. (深圳市億道信息股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 001314) from May 2017 to July 2023 and a supervisor of Skyverse Technology Co., Ltd. (深圳中科飛測科技股份有限公司), a company listed on the Sci-tech Innovation Board of the Shanghai Stock Exchange (stock code: 688361) from December 2020 to January 2024.

Mr. Chen obtained a bachelor's degree in optoelectronic technology (光電子技術) from Tsinghua University (清華大學) in July 1992 and a MBA degree from Tsinghua University in the PRC in July 2004, respectively.

Mr. YU Xiang (于翔), aged 38, joined our Group as a director of Suzhou Zephyrm in December 2019. He was appointed as a Director on September 29, 2024 and re-designated as a non-executive Director on September 29, 2024. Mr. Yu is responsible for providing guidance and advice on the corporate and business strategies to the Board.

From July 2011 to March 2014 and from August 2014 to August 2017, Mr. Yu served as the reagent development engineer at Shenzhen Mindray Bio-Medical Electronics CO., LTD (深圳邁瑞生物醫療電子股份有限公司), a company mainly focused on research and development, production and sales of medical devices, where he was responsible for reagent research and development. From March 2014 to March 2017, he served as a medical device engineer at Jiangsu Konsung Bio-Medical Science & Technology Co., Ltd. (江蘇康尚生物醫療科技有限公司), a company mainly focused on research and development, production and sales of medical devices, where he was responsible for medical device development. From March 2016 to March 2019, Mr. Yu served as an engineer at Medcaptain MEDICAL Technology Co., Ltd. (深圳麥科田生物醫療技術有限公司), a company mainly focused on research and development, production and sales of medical devices, where he was responsible for research and development. Since June 2020, Mr. Yu joined Beijing Zhongke Chuangxing Venture Capital Management Partnership (L.P.) (北京中科創星創業投資管理合夥企業(有限合夥)), a company established in the PRC with limited liability principally engaged in private equity investment, where he was primarily responsible for general investment projects.

Mr. Yu obtained a bachelor's degree in biological science from Soochow University (蘇州大學) in June 2008 and a master's degree in biochemistry and molecular biology from Wuhan Institute of Virology, Chinese Academy of Sciences (中國科學院武漢病毒研究所) in July 2011, respectively.

Independent Non-executive Directors

Dr. CAO Wei (曹衛), aged 66, was appointed as an independent non-executive Director of our Company on September 29, 2024 with his appointment taking effect from the **[REDACTED]**. He is responsible for supervising and providing independent advice to the Board.

From August 2010 to February 2016, he successively served as the chief operating officer and chief executive offer of Cellular Biomedicine Group (西比曼生物科技集團), a company listed on NASDAQ (stock code: CBMG) and delisted in 2021, which is specializing in development of innovative cell therapies for cancer, inflammation and immune diseases and he was responsible for formulating the company's strategic development direction and leading technology development. Subsequently, he served as an investment partner at 6 Dimensions Capital (通和毓承資本), a special fund focused on the medical and health field, where he was mainly responsible for evaluating investment projects and providing advice on the company's investment strategy. He is the founder of Gracell Biotechnologies Group (亙喜生物科技集團), a company listed on NASDAQ (stock code: GRCL) and delisted in 2024, which is engaging in breakthrough cell therapy for the treatment of cancer and autoimmune diseases where he has been the chairman and chief executive officer since May 2017. He is primarily responsible for developing the company's strategic initiatives and leading technology development and clinical research.

Dr. Cao obtained a bachelor's degree from Shanghai First Medical College (上海第一醫學院) (currently known as Shanghai Medical College, Fudan University (復旦大學上海醫學院)) in the PRC in August 1983 and a doctoral degree from Medical College of Virginia (currently known as VCU Medical Center) in August 1991, respectively. Dr. Cao then pursued the postdoctoral research in pathology at Harvard Medical School from July 1991 to June 1993 and postdoctoral research in Cardiothoracic Surgery Transplantation Immunology at Stanford University Medical Center from May 1993 to July 1995, respectively.

Dr. Frank Ningjun JIANG, aged 63, was appointed as an independent non-executive Director of our Company on September 29, 2024 with his appointment taking effect from the **[REDACTED]**. He is responsible for supervising and providing independent advice to the Board.

From July 2016 to August 2022, he served as the chief executive officer, executive director, chairman of the strategy committee and authorized representative at CStone Pharmaceuticals, a company whose shares are listed on the Stock Exchange (stock code: 2616), where he was responsible for the company's comprehensive development and presiding over the company's daily operating activities. Since February 2023, Dr. Jiang has been working at Jiangsu Hengrui Pharmaceutical Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 600276) in the role of chief strategy officer and director, where he was responsible for the company's strategic development, clinical development and business cooperation.

Dr. Jiang obtained a bachelor's degree in medicine from Nanjing Medical College (南京醫學院) (currently known as Nanjing Medical University (南京醫科大學)) in the PRC in December 1982 and a doctoral degree from the University of British Columbia in Canada in November 1992, respectively.

Dr. TANG Qiqun (湯其群), aged 58, was appointed as an independent non-executive Director of our Company on September 29, 2024 with his appointment taking effect from the **[REDACTED]**.

From October 1997 to June 2002, Dr. Tang worked at Department of Biological Chemistry at the Johns Hopkins University School of Medicine. From November 1999 to December 2004, he was a special position professor of the "Changjiang Scholars Programme" (長江學者獎勵計劃). From July 2002 to January 2006, he served as an assistant professor in the Department of Pediatrics (Division of Endocrinology) with joint appointment at Department fo Biological Chemistry at Johns Hopkins University School of Medicine. Since July 2010, he has served as an adjunct professor in the Department of Biochemistry, Johns Hopkins University School of Medicine.

Dr. Tang held various positions during his tenure at Shanghai Medical College, Fudan University (復旦大學上海醫學院) (formerly known as Shanghai Medical University (上海醫科大學)) in the PRC which include: (i) a professor and doctoral supervisor since July 2000, (ii) a director of the Key Laboratory of Molecular Medicine of Ministry of Education (教育部分子醫學重點實驗室) since January 2002, (iii) a distinguished professor since January 2005, (iv) the director of the Department of Biochemistry and Molecular Biology of the School of Basic Medical Sciences (基礎醫學院生物化學與分子生物學系) from October 2005 to April 2015, (v) the deputy dean and senior principal investigator of the Institute of Biomedical Sciences (生物醫學研究院) since January 2006, (vi) the deputy dean of Shanghai Medical

College of Fudan University from July 2007 to September 2012, (vii) the dean of the School of Basic Medical Sciences from September 2012 to November 2017, and (viii) the deputy director of the academic committee of Fudan University and director of the medical department of the academic committee of Fudan University since September 2016.

Dr. Tang also held professional memberships with numerous academic organizations in the PRC, including, among others, (i) a vice president of Shanghai Society of Biochemistry and Molecular Biology (上海市生物化學與分子生物學學會) and the Chinese Medical Society of Biochemistry and Molecular Biology (中國醫學生化與分子生物學學會), (ii) a vice president of the Chinese Society of Biochemistry and Molecular Biology (中國生物化學與分子生物學學會) from 2014 to 2022, and (iii) an associate editor of Journal of Biological Chemistry (生物化學雜誌) since November 2017 and Journal of Diabetes (糖尿病雜志) from October 2019 to September 2021.

Dr. Tang was awarded a considerable amount of reputable honors including, among others, (i) Third Prize of Shanghai Science and Technology Progress Award (上海市科學技術進步獎三等獎) in 1994, (ii) China Patent Gold Award (中國專利金獎) in 1999, (iii) Second Prize of National Science and Technology Progress Award (國家科學技術進步二等獎) in 2000, (iv) Shanghai's Leading Talent (上海市領軍人才) by the Shanghai Municipal Personnel Bureau in 2007, (v) national-level candidate for the "New Century Hundreds and Thousands of Talents Project" (新世紀百千萬人才工程) in 2009, (vi) Tan Jiazhen Life Science Innovation Award (談家楨生命科學創新獎) in 2010, (vii) Second Prize of Natural Science Award (自然科學獎二等獎) in 2016, and (viii) First Prize of Shanghai Teaching Achievement Award (上海市教學成果一等獎) in 2017.

Dr. Tang obtained a bachelor's degree in forensic from Shanghai Medical University (上海醫科大學) (currently known as Shanghai Medical College, Fudan University (復旦大學上海醫學院)) in the PRC in July 1990. He also obtained a doctoral degree in biochemistry and molecular genetics from Shanghai Medical University (上海醫科大學) (currently known as Shanghai Medical College, Fudan University (復旦大學上海醫學院)) in the PRC in July 1995 and pursued the postdoctoral research in biochemistry from Johns Hopkins University School of Medicine in September 1997, respectively.

Dr. HU Danqi (胡丹琪), aged 38, was appointed as an independent non-executive Director of our Company on September 29, 2024 with her appointment taking effect from the **[REDACTED]**.

Dr. Hu's research area is financial accounting and capital markets, in particular she studies regulation and firm disclosure, market microstructure and investors' information processing.

From August 2016 to June 2021, Dr. Hu served at Kellogg School of Management of Northwestern University, with her last position as an assistant professor. Subsequently, she has been serving as a deputy chair of the accounting department at Guanghua School of Management, Peking University (北京大學光華管理學院) since July 2021.

Dr. Hu has received plenty of awards in the financing field including, among others, (i) the Best Dissertation Award from Financial Accounting and Reporting Section of American Accounting Association in 2017, (ii) the Doctoral Dissertation Awards for Innovative Research in Accounting Education in 2016, and (iii) the Best Paper Award of Conference on Investor Protection, Corporate Governance, and Fraud Prevention (公司治理投資者保護與欺詐預防會議最佳論文獎) in 2015.

Dr. Hu obtained a bachelor's degree in financial engineering from Wuhan University (武漢大學) in the PRC in June 2009 and a master's degree in finance from Peking University (北京大學) in the PRC in July 2012 respectively. She obtained a doctoral degree in accounting from Rotman School of Management, University of Toronto in November 2016.

Dr. Hu is also a member of American Accounting Association.

Confirmations

Save as disclosed in this document, each of our Directors confirms with respect to himself or herself, to the best of his or her knowledge, information and belief, that he or she (a) did not hold other long positions or short positions in the Shares, underlying Shares, debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) as of the Latest Practicable Date; (b) had no other relationship with any Directors, senior management or substantial shareholders of our Company as at the Latest Practicable Date; (c) did not hold any other directorships in the three years prior to the Latest Practicable Date in any public companies of which the securities are listed on any securities market in Hong Kong and/or overseas; and (d) there are no other matters concerning our Director's appointment that need to be brought to the attention of our Shareholders and the Stock Exchange or shall be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

Each of our Director confirms that he or she did not have any interest in a business, apart from the business of our Company, which competes or is likely to compete, directly or indirectly, with our business, and requires disclosure under Rule 8.10 of the Listing Rules.

Disclosure pursuant to Rule 3.09D of the Listing Rules

Each of our Directors confirms that he/she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules on September 24, 2024, and (ii) understands his/her obligations as a director of a listed company under the Listing Rules.

Each of the independent non-executive Directors confirms (i) his independence as regards each of the factors referred to in Rule 3.13(1) to (8) of the Listing Rules, (ii) that he 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 independence at the time of his/her appointment.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The table below sets out certain information in respect of the senior management of our Group.

Name	Position	Age	Date of appointment as senior management	Date of joining our Group	Role and responsibilities	Relationship with other Directors senior management
Dr. Yu Alex ZHANG	Chief executive officer, chairman of the Board and the executive Director	57	September 29, 2024	May 7, 2018	Responsible for the overall strategy, planning and deployment, and technology research of our Company	None
Mr. DONG Xin (董鑫)	Chief financial officer and executive Director	45	September 29, 2024	May 7, 2018	Responsible for formulating the company's overall investment and financing strategy, cash flow planning and market operations	None
Dr. JIA Yi (賈懿)	Chief medical officer and executive Director	48	September 29, 2024	May 7, 2018	Responsible for the strategic planning of the Company's clinical medicine	None

For details of the biographies of Dr. Zhang, Mr. Dong and Dr. Jia, see "– Executive Directors" in this section.

COMPANY SECRETARY

Ms. YU Wing Sze (余詠詩) was appointed as the company secretary of our Company on September 29, 2024. Ms. Yu is a manager of TMF Hong Kong Limited. She has over 15 years of working experience in company secretarial profession. She is an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. Ms. Yu received a bachelor's degree of Business Administration from the Chinese University of Hong Kong.

BOARD COMMITTEES

Our Board delegates certain responsibilities to various Board committees. We have established our audit committee, remuneration committee and nomination committee. These committees operate in accordance with the terms of references established by the Board.

Audit Committee

We have established an audit committee with terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix C1 to the Listing Rules. The audit committee consists of Dr. HU Danqi (胡丹琪), Mr. DONG Xin (董鑫) and Dr. TANG Qiqun (湯其群), with Dr. HU Danqi (胡丹琪) being the chairman of the committee.

The primary function of the audit committee is to assist our Board in providing an independent view of our financial reporting process, internal control and risk management system, overseeing the audit process and performing other duties and responsibilities as assigned by our Board which includes, amongst other things:

- proposing to the Board the appointment and replacement of external audit firms;
- supervising the implementation of our internal audit system;
- liaising between our internal audit department and external auditors;
- reviewing our financial information and related disclosures; and
- other duties conferred by the Board.

Remuneration Committee

We have established a remuneration committee with terms of reference in compliance with paragraph B.1 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix C1 to the Listing Rules. The remuneration committee consists of Dr. CAO Wei (曹衛), Dr. TANG Qiqun (湯其群) and Dr. Zhang, with Dr. CAO Wei (曹衛) being the chairman of the committee.

The primary function of the remuneration committee is to develop remuneration policies of our Directors, evaluate the performance, make recommendations on the remuneration packages of our Directors and senior management and evaluate and make recommendations on employee benefit arrangements which includes, amongst other things:

- establishing, reviewing and making recommendations to our Directors on our policy and structure concerning remuneration of our Directors and senior management;
- determining the terms of the specific remuneration package of each Director and members of senior management;
- reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time to time; and
- other duties conferred by the Board.

Nomination Committee

We have established a nomination committee with terms of reference in compliance with paragraph A.5 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix C1 to the Listing Rules. The nomination committee consists of Dr. Zhang, Dr. Frank Ningjun JIANG and Dr. CAO Wei (曹衛), with Dr. Zhang being the chairman of the committee.

The primary function of the nomination committee is to make recommendations to our Board in relation to the appointment and removal of Directors which includes, amongst other things:

- reviewing the structure, size and composition of our Board on a regular basis and making recommendations to the Board regarding any proposed changes;
- identifying, selecting or making recommendations to our Board on the selection of individuals nominated for directorships;
- assessing the independence of our independent non-executive Directors;
- making recommendations to the Board on relevant matters relating to the appointment, re-appointment and removal of our Directors; and
- other duties conferred by the Board.

CORPORATE GOVERNANCE

Our Directors value the importance of incorporating elements of good corporate governance in the management structures and internal control measures of our Group in achieving effective accountability. Our Company intends to comply with all code provisions prescribed in the Part 2 of the Corporate Governance Code as set out in Appendix C1 of the Listing Rules after the **[REDACTED]** except for code provision C.2.1 of Part 2 of the Corporate Governance Code, which provides that the roles of chairman of the board and chief executive should be separate and should not be performed by the same individual.

The roles of chairman of the Board and the chief executive officer of our Company are currently both performed by Dr. Zhang. In view of Dr. Zhang's significant contribution to our Group and his extensive experience, we consider that Dr. Zhang acting as both of our chairman of the Board and chief executive officer will necessitate strong and consistent leadership to our Group and facilitate the efficient execution of our business strategies. We consider it appropriate and beneficial to our business development that Dr. Zhang continues to act as both of our chairman of the Board and chief executive office after the **[REDACTED]**, and therefore currently do not propose to separate the functions of chairman and chief executive officer. While this would constitute a deviation from code provision C.2.1 of Part 2 of the Corporate Governance Code, the Board believes that this structure will not impair the balance of power and authority between the Board and the management of our Company, given that: (i) there are sufficient checks and balances in the Board, as a decision to be made by our Board requires approval by at least a majority of our Directors, and our Board comprises four independent non-executive Directors,

which is in compliance with the requirement under the Listing Rules; (ii) Dr. Zhang and the other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that he acts for the benefit and in the best interests of our Company and will make decisions for our Group accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of our Company. Moreover, the overall strategic and other key business, financial, and operational policies of our Group are made collectively after thorough discussion at both the Board and senior management levels. The Board will continue to review the effectiveness of the corporate governance structure of our Group in order to assess whether the separation of the roles of chairman and chief executive officer is necessary.

Board Diversity

We [have adopted] a board diversity policy (the "**Board Diversity Policy**") to enhance the effectiveness of our Board and to maintain a high standard of corporate governance. Pursuant to the Board Diversity Policy, in reviewing and assessing suitable candidates to serve as a Director, the Nomination Committee will consider a range of diversity perspectives with reference to our Company's business model and specific needs, including but not limited to gender, age, language, cultural and educational background, professional qualifications, skills, knowledge, industry and regional experience and/or length of service.

Our Directors have a balanced mix of knowledge and skills, including but not limited to overall business management, hospital management, law, financial management, audits and project management. They obtained degrees in various majors including biochemistry and biological science, biochemistry and molecular biology, biochemistry and molecular genetics accounting and accounting computerization, economics, finance, financial engineering, world economy, management, law, clinical medicine, surgery, pharmaceutical science, optoelectronic, toxicology, and forensic. In addition, we have taken steps to promote and enhance gender diversity at all levels of our Company, and our Board currently comprises three female Directors and nine male Directors. Furthermore, our Board ranges from 30 years old to 71 years old. Our Board is of the view that our Board satisfies the Board Diversity Policy.

The Nomination Committee is responsible for reviewing the diversity of our Board, reviewing the Board Diversity Policy from time to time, developing and reviewing measurable objectives for implementing the Board Diversity Policy, and monitoring the progress on achieving these measurable objectives in order to ensure that the policy remains effective. Our Company will (i) disclose the biographical details of each Director and (ii) report on the implementation of the Board Diversity Policy (including whether we have achieved board diversity) in its annual corporate governance report. In particular, our Company will take opportunities to increase the proportion of younger members of our Board when selecting and recommending suitable candidates for Board appointments to help enhance age diversity in accordance with stakeholder expectations and recommended best practices. Our Company also intends to continuously promote gender diversity when recruiting staff at the mid to senior level so that our Company will have a pipeline of female senior management and potential successors to our Board. We believe that such 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.

EMOLUMENT OF DIRECTORS AND SENIOR MANAGEMENT

We offer our executive Director and senior management members, who are also employees of our Company, emolument in the form of salaries, allowances and benefits in kind, performance related bonuses, equity-settled share option expense and pension scheme contributions. Our independent non-executive Directors receive emolument based on their responsibilities (including being members or chairman of Board committees).

For the years ended December 31, 2022 and 2023 and the six months ended June 30, 2024, the aggregate amount of emolument paid by our Company to our Directors were RMB4.18 million, RMB4.20 million and RMB2.02 million respectively. It is estimated that under the arrangements currently in force, the aggregate emolument (excluding any possible payment of discretionary bonus and equity-settled share option expense) payable to the Directors for the year ending December 31, 2024 will be RMB3.43 million.

For the years ended December 31, 2022 and 2023 and the six months ended June 30, 2024, the aggregate amount of emolument paid by our Company to the five highest paid individuals were RMB4.22 million, RMB4.38 million and RMB2.82 million, respectively, none of whom are directors. During the Track Record Period, no remuneration was paid by our Company to, or receivable by, our Directors or the five highest paid individuals as an inducement to join or upon joining our Company or as a compensation for loss of office in connection with the management of the affairs of our Company or any subsidiary during the Track Record Period.

During the Track Record Period, none of our Directors waived or agreed to waive any emolument. Except as disclosed above, no other payments have been paid, or are payable, by our Company or any of our subsidiaries to our Directors or the five highest paid individuals during the Track Record Period.

COMPLIANCE ADVISER

We have appointed Zhongtai International Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us on the following circumstances:

(a) before the publication of any announcements, circulars or financial reports required by regulatory authorities or applicable laws;

(b) where a transaction, which might constitute a notifiable or connected transaction under the Listing Rules, is contemplated, including share issues and securities repurchases;

(c) where we propose to use the **[REDACTED]** of the **[REDACTED]** in a manner different from that detailed in this document or where our business activities, developments or results deviate from any forecast, estimate or other information in this document; and

(d) where the Stock Exchange makes an inquiry of us regarding unusual price movement and trading volume or other issues under Rule 13.10 of the Listing Rules.

The term of the appointment will commence on the **[REDACTED]** and end on the date on which we distribute the annual report of the first full financial year commencing after the **[REDACTED]** pursuant to the Rule 13.46 of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the **[REDACTED]**and without taking into account any Shares which may be issued pursuant to the exercise of the **[REDACTED]** or our Company Internal Restructuring, the following persons will have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the issued voting Shares of our Company:

Name	Capacity/ nature of interest[1]	Number of Shares held as of September 30, 2024	Approximate shareholding percentage in the total issued Shares of our Company as of September 30, 2024	Approximate shareholding percentage in the total issued Shares of our Company immediately following completion of the [REDACTED] (assuming the [REDACTED] is not exercised)
Vistra Trust (Singapore) Pte. Limited[2, 3] ("**Vistra Trust**")	Trustee	118,876,933	49.36%	**[REDACTED]**%
Ms. Jin[2]	Founder of a discretionary trust; Interest in controlled corporation	108,315,047	44.98%	**[REDACTED]**%
JIN FAMILY LIMITED (the "**Jin Family**")[2]	Interest in controlled corporation	92,296,743	38.33%	**[REDACTED]**%
Xiangjing Phase II Holding Limited ("**Xiangjing Phase II**")[2]	Beneficial owner	92,296,743	38.33%	**[REDACTED]**%
Core Trust Company Limited (匯聚信託有限公司)[2] ("**Core Trust**")	Trustee	16,018,304	6.65%	**[REDACTED]**%
TCT (BVI) Limited[2]	Interest in controlled corporation	16,018,304	6.65%	**[REDACTED]**%
SURE TRADE INTERNATIONAL LIMITED ("**Sure Trade**")[2]	Interest in controlled corporation	16,018,304	6.65%	**[REDACTED]**%
Zephyrm Tongchuang Phase II Holding Limited ("**Zephyrm Tongchuang Phase II Holding**")[2]	Beneficial owner	16,018,304	6.65%	**[REDACTED]**%
Mr. Dong[3]	Founder of a discretionary trust; Interest in controlled corporation	53,044,938	22.03%	**[REDACTED]**%
Dongxin Phase I Holding Limited ("**Dongxin Phase I**")[3]	Interest in controlled corporation	41,818,651	17.36%	**[REDACTED]**%
Dongxin Phase II Holding Limited ("**Dongxin Phase II**")[3]	Interest in controlled corporation	41,818,651	17.36%	**[REDACTED]**%
Zephyrm Tongchuang Holding Limited ("**Zephyrm Tongchuang Holding**")[3]	Beneficial owner	26,580,190	11.04%	**[REDACTED]**%

Notes:

1. All interests stated are long positions.

2. Each of Xiangjing Phase II and Zephyrm Tongchuang Phase II Holding beneficially held 92,296,743 Shares and 16,018,304 Shares as of September 30, 2024. As of the September 30, 2024, Xiangjing Phase II was owned as to approximately 0.1% by Xiangjing Phase I, a wholly-owned company of Ms. Jin incorporated in BVI and 99.9% by Jin Family, which was wholly-owned by Vistra Trust, the trustee of the JIN FAMILY Trust, respectively. For details, see "History, Reorganization and Corporate Structure – Establishment of Family Trust" in this document. As such, under the SFO, each of Vistra Trust and Jin Family is deemed to be interested in the equity interest held by Xiangjing Phase II. Zephyrm Tongchuang Phase II Holding was owned as to approximately 0.1% by Zephyrm Tongchuang Phase I Holding, a wholly-owned company of Ms. Jin incorporated in BVI and 99.9% by Sure Trade, which was wholly-owned by Core Trust, the trustee of the ZEPHYRM ESOP Trust via TCT (BVI) Limited, respectively. For details, see "Appendix V – Statutory and General Information – D. 2024 RSU Plan"to this document. As such, under the SFO, each of Core Trust, TCT (BVI) Limited and Sure Trade is deemed to be interested in the equity interest held by Zephyrm Tongchuang Phase II Holding. Ms. Jin is the founder, settlor and protector of the JIN FAMILY Trust which was established for the benefit of Xiangjing Phase I, and controls the exercise of all voting power of Sure Trade. As such, under the SFO, Ms. Jin is deemed to be interested in the equity interest held by Jin Family and Sure Trade.

3. Each of Zephyrm Tongchuang Holding, Huijin Yonglong, Gongqingcheng Zhongquan Holding and Beijing Xietai Holding held 26,580,190 Shares, 10,972,307 Shares, 2,133,077 Shares and 2,133,077 Shares, respectively. As of the Latest Practicable Date, Zephyrm Tongchuang Holding was owned as to approximately 81%, 11% and 8% by Dongxin Phase II, Jiayi Phase II and Huangli Holding Limited, respectively. Huijin Yonglong was owned as to approximately 42% by Dongxin Phase II. Gongqingcheng Zhongquan Holding was wholly-owned by Dongxin Phase II. Beijing Xietai Holding was owned as to approximately 57.45% by Dongxin Phase II. Dongxin Phase II was owned as to approximately 10% by Dongxin Phase I Holding Limited, a wholly-owned company incorporated in BVI of Mr. Dong and 90% by Shawn Tung Limited, a holding company pursuant to the family trust of Mr. Dong, respectively. As such, under the SFO, each of Mr. Dong, Dongxin Phase I and Dongxin Phase II is deemed to be interested in the equity interest held by each of Zephyrm Tongchuang Holding, Huijin Yonglong, Gongqingcheng Zhongquan Holding and Beijing Xietai Holding. Each of Yingshi Shengwu, Yingshi Phase II and Yingsheng Fukun was ultimately controlled by Mr. Dong pursuant to their respective internal arrangement. As such, under the SFO, Mr. Dong is deemed to be interested in the equity interests held by each of Yingshi Shengwu, Yingshi Phase II and Yingsheng Fukun.

Except as disclosed above, our Directors are not aware of any other person who will, immediately following the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised), have any interest and/or short positions in the Shares or underlying Shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group.

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately following the completion of the **[REDACTED]**.

Authorized Share Capital

As of September 30, 2024:

Number	Description of Shares	Aggregate par value
905,043,270	Ordinary Shares of US$0.00005 each	US$45,252.1635
94,956,730	Preferred Shares of US$0.00005 each	US$4,747.8365
1,000,000,000		50,000

Upon completion of the **[REDACTED]***:*

Number	Description of Shares	Aggregate par value
1,000,000,000	Ordinary Shares of US$0.00005 each	US$50,000

Issued Share Capital

Issued and to be issued, fully paid or credited as fully paid upon completion of the **[REDACTED]** *(assuming the* **[REDACTED]** *is not exercised)*

Number	Description of Shares	Aggregate par value	Approximate percentage to total issued share capital
145,867,544	Ordinary Shares in issue as of September 30, 2024	US$7,293.3772	**[REDACTED]**%
94,956,730	Ordinary Shares to be converted from Preferred Shares	US$4,747.8365	**[REDACTED]**%
[REDACTED]	Ordinary Shares to be issued pursuant to the **[REDACTED]**	US$**[REDACTED]**	**[REDACTED]**%
		US$[REDACTED]	**100%**

ASSUMPTION

The above table assumes that the **[REDACTED]** has become unconditional and the Shares are issued pursuant to the **[REDACTED]** (assuming the **[REDACTED]** is not exercised). It takes no account of any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below or otherwise.

RANKING

Upon completion of the **[REDACTED]**, the Shares are ordinary Shares in the share capital of our Company and rank *pari passu* in all respects with all Ordinary Shares currently in issue or to be issued and, in particular, will rank in full for all dividends or other distributions declared, made or paid after the date of this document.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

Upon completion of the **[REDACTED]**, our Company will have only one class of Shares, namely ordinary Shares, and each ranks *pari passu* with the other Shares.

Pursuant to the Cayman Companies Act and the terms of the Articles of Association, our Company may from time to time by ordinary resolution of Shareholders to (i) increase its capital; (ii) consolidate and divide its capital into shares of larger amount; (iii) divide its shares into several classes; (iv) sub-divide its shares into shares of smaller amount; and (v) cancel any shares which have not been taken. In addition, our Company may reduce or redeem its share capital by special resolution. For more details, see "Appendix IV – Summary of the Constitution of Our Company and the Cayman Companies Act" to this document.

GENERAL MANDATE TO ISSUE SHARES

Subject to the **[REDACTED]** becoming unconditional, our Directors have been granted a general unconditional mandate to, inter alia, allot, issue and **[REDACTED]** with Shares, securities convertible into Shares (the "**Convertible Securities**") or options, warrants or similar rights to subscribe for any Shares or such convertible securities (the "**Options and Warrants**") and to make or grant offers, agreements or options which might require such Shares, the Convertible Securities or the Options and Warrants to be allotted and issued or **[REDACTED]** with at any time subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, shall not exceed the sum of:

(i) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the **[REDACTED]** (taking into account the Shares which may be issued upon the exercise of the **[REDACTED]**); and

(ii) the nominal amount of our share capital repurchased by our Company (if any) pursuant to the repurchase mandate (as mentioned below).

This mandate does not cover Shares to be allotted, issued, or **[REDACTED]** with under a rights issue or scrip dividend scheme or similar arrangements or a specific authority granted by our Shareholders. Such mandate will remain in effect until:

(i) the conclusion of our next annual general meeting; or

(ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Memorandum and the Articles of Association; or

(iii) it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting,

whichever is the earliest.

For details of this general mandate, see "Appendix V – Statutory and General Information – A. Further Information about our Company and our Subsidiaries – 4. Resolutions of our Shareholders" to this document.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the **[REDACTED]** becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal value of our share capital in issue immediately following the **[REDACTED]** (excluding any Shares which may be allotted and issued pursuant to the exercise of the **[REDACTED]**).

This mandate relates to repurchases made on the Stock Exchange, or on any other stock exchange which the Shares may be **[REDACTED]** (and which is recognized by the SFC and the Stock Exchange for this purpose), and made in accordance with all applicable laws and regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed "A. Further Information about our Group – 5. Explanatory statement on repurchase of our own securities" in Appendix V to this document.

This general mandate to repurchase Shares will remain in effect until:

(i) at the conclusion of our next annual general meeting; or

(ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Articles of Association; or

(iii) it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting,

whichever is the earliest.

For details of this general mandate, see "Appendix V – Statutory and General Information – A. Further Information about our Company and Our Subsidiaries – 4. Resolutions of our Shareholders" to this document.

OUR CONTROLLING SHAREHOLDERS

As of September 30, 2024, each of Xiangjing Phase II Holding Limited ("**Xiangjing Phase II**") and Zephyrm Tongchuang Phase II Holding Limited ("**Zephyrm Tongchuang Phase II Holding**") directly held 92,296,743 Shares and 16,018,304 Shares, representing approximately 38.33% and 6.65% of the total issued Shares, respectively. Xiangjing Phase II was owned as to approximately 99.9% and 0.1% by JIN FAMILY LIMITED ("**Jin Family**") and Xiangjing Phase I Holding Limited ("**Xiangjing Phase I**"), respectively. Zephyrm Tongchuang Phase II Holding was owned as to approximately 99.9% and 0.1% by SURE TRADE INTERNATIONAL LIMITED ("**Sure Trade**") and Zephyrm Tongchuang Phase I Holding Limited ("**Zephyrm Tongchuang Phase I Holding**"), respectively. Each of Xiangjing Phase I, Zephyrm Tongchuang Phase I Holding, Jin Family and Sure Trade was wholly-owned/ultimate controlled by Ms. Jin.

Pursuant to the Listing Rules and Chapter 1.1C under the Guide for New Listing Applicants published by the Stock Exchange, Ms. Jin, Xiangjing Phase I, Xiangjing Phase II, Zephyrm Tongchuang Phase I Holding, Zephyrm Tongchuang Phase II Holding, Jin Family and Sure Trade are regarded as a group of Controlling Shareholders.

As of September 30, 2024, Ms. Jin, Xiangjing Phase I, Xiangjing Phase II, Zephyrm Tongchuang Phase I Holding, Zephyrm Tongchuang Phase II Holding, Jin Family and Sure Trade together were entitled to exercise voting rights attached to the 108,315,047 Shares, representing approximately 44.98% of the total issued Shares, or approximately **[REDACTED]**% of our total issued Shares upon **[REDACTED]** (assuming the **[REDACTED]** are not exercised). Since Ms. Jin, Xiangjing Phase I, Xiangjing Phase II, Zephyrm Tongchuang Phase I Holding, Zephyrm Tongchuang Phase II Holding, Jin Family and Sure Trade together are able to control more than 30% of the voting rights in our Company, they will continue to be a group of Controlling Shareholders of our Company immediately after the **[REDACTED]**.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

The Controlling Shareholders confirm that as of the Latest Practicable Date, they did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, and requires disclosure under Rule 8.10 of the Listing Rules.

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently of our Controlling Shareholders and their close associates after the **[REDACTED]**.

Management Independence

Our Board comprises three executive Directors and four independent non-executive Directors. Each of our Directors is aware of his or her fiduciary duties as a Director which require, among other things, that he or she must act for the benefit of and in the best interests of our Company and not allow any conflict between his or her duties as a Director and his or her personal interests. Further, we believe our independent non-executive Directors will bring independent judgment to the decision-making process of our Board. For details, see "– Corporate Governance Measures" in this section.

Based on the above, our Directors are satisfied that our Board as a whole together with our senior management team is able to perform the managerial role in our Group independently.

Operational Independence

We are able to make all decisions on, and to carry out, our own business operations independently. Our Company, through our subsidiaries, holds the licenses and qualifications necessary to carry out our current business, and has sufficient capital, facilities, technology and employees to operate our business independently from our Controlling Shareholders. We have access to third parties independently from our Controlling Shareholders for sources of suppliers and customers.

Based on the above, our Directors are satisfied that we are able to function and operate independently from our Controlling Shareholders and their close associates.

Financial Independence

We have established our own finance department with a team of financial staff, who are responsible for financial control, accounting, reporting and group credit functions of our Company, independent from our group of Controlling Shareholders. We are able to make financial decisions independently and our group of Controlling Shareholders do not intervene with our financial matters. We have also established an independent audit system, a standardized financial and accounting system and a complete financial management system.

During the Track Record Period and up to the Latest Practicable Date, certain of our Group's interest-bearing bank borrowings were guaranteed and/or counter-guaranteed by Mr. Dong, our executive Director, and/or his close associates (the "**CP Guarantors**") through either personal or corporate guarantees (the "**CP Guarantees**") owned by them (the "**Guaranteed Loans**"). The Directors confirm that no consideration was payable or will be payable to the CP Guarantors for the provision of the CP Guarantees. As of August 31, 2024, the outstanding principal amount of our interest-bearing bank and other borrowings due to the Independent Third Party lenders under the Guaranteed Loans amounted to approximately RMB30 million. For details of our outstanding bank loans and credit facilities and the Guaranteed Loans, see "Financial Information – Indebtedness" and Note 25 to the Accountant's Report in Appendix I to this document. The CP Guarantees will be fully released before the **[REDACTED]**. Save as disclosed in this document, as of the end of each year of the Track Record Period and up to the Latest Practicable Date, our Group had no outstanding balances with any related parties.

Based on the above, our Directors are of the view that they and our senior management are capable of carrying on our business independently of, and do not place undue reliance on our Controlling Shareholders and their close associates.

CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance in protecting our Shareholders' interests. We have adopted the following measures to promote good corporate governance and to avoid potential conflict of interests between our Group and our Controlling Shareholders:

(a) under the Articles of Association, where a Shareholders' meeting is to be held for considering proposed transactions in which any of our Controlling Shareholders or any of their close associates has a material interest, the Controlling Shareholders or their close associates will not vote on the relevant resolutions;

(b) our Company has established internal control mechanisms to identify connected transactions. Upon the **[REDACTED]**, if our Company enters into connected transactions with our Controlling Shareholders or any of their associates, our Company will comply with the applicable Listing Rules;

(c) our independent non-executive Directors will review, on an annual basis, whether there are any conflict of interests between our Group and our Controlling Shareholders (the "**Annual Review**") and provide advice to protect the interests of our minority Shareholders;

(d) 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 our independent non-executive Directors for the Annual Review;

(e) our Company will disclose decisions on matters reviewed by the independent non-executive Directors either in our annual reports or by way of announcements as required by the Listing Rules;

(f) where our Directors reasonably request the advice of independent professionals such as financial advisers, the appointment of such independent professionals will be made at our Company's expenses; and

(g) we have appointed Zhongtai International Capital Limited as our compliance adviser to provide advice and guidance to us in respect of compliance with the applicable laws and regulations in Hong Kong as well as the Listing Rules, including various requirements relating to corporate governance during its term of appointment.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflict of interest that may arise between our Group and our Controlling Shareholders, and to protect our minority Shareholders' interests after the **[REDACTED]**.

You should read the following discussion and analysis in conjunction with our combined financial statements and the accompanying notes included in the Accountant's Report in Appendix I to this document. Our combined financial statements have been prepared in accordance with IFRSs, which may differ in material aspects from GAAP in other jurisdictions. You should read the entire Accountant's Report and not merely rely on the information contained in this section.

The following discussion and analysis contain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analysis 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, whether the actual outcome and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. For details, see "Forward-looking Statements" and "Risk Factors" in this document.

OVERVIEW

We are a clinical-stage biopharmaceutical company dedicated to the development of innovative cell therapy products derived from PSCs for the treatment of a variety of medical conditions. As one of the early entrants in PSC-derived cell therapy in China and globally, we are the first company in China that has received IND clearances for PSC-derived cell therapy products and the only company in China that has multiple PSC-derived cell therapy assets currently in Phase II clinical trials according to Frost & Sullivan. We have developed a PSC-derived cell therapy product development platform, PROF, which comprises three independent but integrated technology platforms, namely, PROF-seed, PROF-function, and PROF-formulator. Leveraging our proprietary and integrated technology platforms, we follow a systematic approach to build and continuously expand our therapeutic product portfolio, addressing medical needs that cannot be easily met by small molecule drugs and other types of biologics. Leveraging our PROF platform and underlying technologies, we are also able to address the major challenges of existing cell therapy products such as developing functional cells without being limited by cell sources, improving batch-to-batch consistency, achieving industrial-scale production and reducing treatment costs. The near-term focus of our development efforts is therapeutic products derived from hESCs, which are PSCs derived from human embryos with the ability to differentiate into all types of cells of human body. Our vision is to become a global biopharmaceutical leader committed to the trust of life by bringing innovative and differentiated therapeutic solutions to patients worldwide.

We currently have no products approved for commercial sales and have not generated any revenue from product sales. We have not been profitable and have incurred operating losses during the Track Record Period. In 2022, 2023 and the six months ended June 30, 2023 and 2024, we incurred net losses of RMB172.8 million, RMB196.0 million, RMB76.3 million and RMB236.6 million, respectively.

We expect to incur an increased amount of operating expenses, in particular increasing research and development expenses and administrative expenses, for the near future as we further our pre-clinical research for, continue the clinical development of, seek regulatory approval for and commercialize of, our drug candidates, and recruit more talents necessary to operate our business. Subsequent to the

[REDACTED], we expect to incur additional costs associated with operating as a public company. We expect that our financial performance will fluctuate from period to period due to the development status of our drug candidates, regulatory approval timeline and commercialization of our drug candidates.

BASIS OF PREPARATION

Our Company was incorporated in the Cayman Islands on September 15, 2021 as an exempted company with limited liability. In preparation for the **[REDACTED]**, our Group underwent the Reorganization, pursuant to which our Company became the holding company of our Group. For details, see "History, Reorganization and Corporate Structure – Reorganization" in this document. Our Company, as a holding company of our business, indirectly controls the Consolidated Affiliated Entities in China that are dedicated to the development of innovating cell therapy products derived from PSCs for the treatment of a variety of medical conditions.

The combined financial information has been prepared in accordance with IFRSs, which comprise standards, amendments and interpretations promulgated by the IASB. The combined financial information has been prepared on a historical cost basis, except for certain financial assets and liabilities.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, affected by a number of factors, many of which are outside of our control, including the following:

Our Ability to Successfully Develop and Obtain Regulatory Approval of Our Drug Candidates

Our business and results of operations depend on our ability to successfully develop our drug candidates. As of the Latest Practicable Date, we had developed a comprehensive and differentiated pipeline of four types of PSC-derived cell therapy products covering seven indications. For more details of the development status of our various drug candidates, see "Business – Our Pipeline Products" in this document.

Our business and results of operations depend on our drug candidates demonstrating favorable safety and efficacy clinical trial results, and our ability to obtain the requisite regulatory approvals for our drug candidates to initiate clinical trials or advance to the next stage of clinical development. Approval from applicable regulatory authorities is critical to the R&D and commercialization of our drug candidates. If we are able to obtain approval in a timely manner, we will actively and quickly advance our clinical trials and achieve the commercialization of our drug candidates. However, if we experience significant delays or difficulties in obtaining approvals for clinical trials or commercialization, it would materially harm our business and may prevent us from generating sufficient revenues and cash flows to continue our operations. For more details, see "Risk Factors – Risks Relating to Research and Development of Our Drug Candidates – Our business and financial prospects depend substantially on the success of our clinical and pre-clinical stage drug candidates. If we are unable to successfully complete their clinical development, obtain their regulatory approvals and achieve their commercialization, or if we experience significant delays in doing any of the foregoing, our business will be materially harmed" in this document.

Our Ability to Successfully Commercialize Our Drug Candidates

As of the Latest Practicable Date, all of our drug candidates were in clinical development or pre-clinical stages. We currently have no product approved for commercial sale and have not generated any revenue from product sales. However, we expect to commercialize one or more of our drug candidates over the coming years as they move towards the final stages of development. Our ability to generate revenue depends on our ability to obtain regulatory approvals for and to commercialize our drug candidates, establish manufacturing capabilities and sales channels, and undertake extensive sales and marketing activities. If our drug candidates fail to achieve the degree of market acceptance that we anticipate, we may not be able to generate revenue as expected. For more details, see "Risk Factors – Risks Relating to Commercialization of Our Drug Candidates – We have no experience in the commercialization of drugs. If we are unable to build, manage, expand the optimize an effective sales and distribution network for our drug candidate, either by ourselves or through third parties, we may not be able to successfully create or increase market awareness of our products or sell our products, which will materially affect our ability to generate product sales revenue" in this document.

Potential Competition Upon Commercialization

The industry in which we operate is highly competitive and rapidly evolving. Despite our focus on developing drug candidates with the potential to become novel or highly differentiated drugs, we face competition for our current drug candidates and will face competition with respect to any drug candidates that we may seek to develop or commercialize in the future. For instance, our Core Product, ZH901, upon potential commercialization approval, may face competition from other drugs, in particular PSC-derived cell therapy products, approved for the same target indications. See "Business – Our Pipeline Products" and "Industry Overview – Stem – Derived Cell Therapy" in this document.

Competition may further intensify due to advancements in commercial technologies and increasing capital availability for investment in the industry. Our competitors may succeed in developing, acquiring, or licensing products that are more effective with a lower cost than our drug candidates on an exclusive basis, or they may achieve earlier patent protection, regulatory approvals, product commercialization and market penetration. To compete with an approved product, we must demonstrate compelling advantages in efficacy, convenience, tolerability or safety in order to overcome price competition and to be commercially successful. Furthermore, disruptive technologies and medical breakthroughs could intensify competition and render our drug candidates obsolete or noncompetitive. See "Risk Factors – Risks Relating to Research and Development of Our Drug Candidates – We face intense competition and our competitors may discover, develop or commercialize competing drugs faster or more successfully than we do, which may adversely affect our ability to successfully commercialize our drug candidates" in this document.

Our Cost Structure

Our results of operations are significantly affected by our cost structure, particularly research and development expenses and administrative expenses.

Research and development activities are central to our business model. Our research and development expenses primarily consist of (i) share-based payment compensation; (ii) employee benefit expenses; (iii) depreciation and amortization expenses; (iv) pre-clinical and clinical trial expenses; (v) research material expenses; (vi) indication research related fees; and (vii) other research and development expenses. In 2022, 2023 and the six months ended June 30, 2023 and 2024, our research and development expenses amounted to RMB66.3 million, RMB102.8 million, RMB34.1 million and RMB58.5 million, respectively.

Our current research and development activities primarily focus on the clinical advancement of our drug candidates. We anticipate that our research and development expenses will continue to increase for the foreseeable future as we move these drug candidates, either from pre-clinical trials to clinical trials, or further to more advanced clinical trials, and as we continue to support the clinical trials of our drug candidates as treatments for additional indications.

Our administrative expenses primarily include (i) share-based payment compensation; (ii) employee benefit expenses; (iii) **[REDACTED]** expenses; (iv) depreciation and amortization expenses; (v) professional service expenses; (vi) general office expenses; and (vii) other administrative expenses. In 2022, 2023 and the six months ended June 30, 2023 and 2024, our administrative expenses amounted to RMB23.8 million, RMB32.3 million, RMB18.4 million and RMB143.1 million, respectively.

We expect our cost structure to evolve as we continue to develop and expand our business. As the clinical trials of our drug candidates continue to progress and as we continue to enrich our pipeline products, we expect to incur additional costs in relation to pre-clinical studies and clinical trials, raw materials procurement, headcount expansion for our research and development team and manufacturing, among other things. Moreover, once our drug candidates receive marketing approvals and are commercialized, we are expected to dedicate our resources to sales and marketing. We plan to establish sales and marketing capabilities through a combination of in-house efforts and collaboration with external partners, all of which will incur selling expenses. Additionally, we anticipate increasing legal, compliance, accounting, insurance and investor and public relations expenses associated with being a public company in Hong Kong.

Funding for Our Operations

During the Track Record Period, we funded our operations primarily through equity and debt financing. Going forward, in the event of a successful commercialization of one or more of our drug candidates, we expect to fund our operations with revenue generated from sales of our commercialized drug products. However, with the continuing expansion of our business and product pipelines, we may require further funding through public or private offerings, debt financing, collaboration and licensing arrangements or other sources. Any fluctuation in the funding for our operations will impact our cash flow plan and our results of operations.

MATERIAL ACCOUNTING POLICIES AND CRITICAL ACCOUNTING JUDGMENTS 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.

Our most material accounting policies and critical judgments and estimates are summarized below. See Note 4, and Note 36 to the Accountant's Report in Appendix I to this document for a description of our material accounting policies, and critical judgments and estimates.

Intangible Assets

Intangible assets with finite useful lives, which are acquired separately, are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives when the assets are available for use. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Financial Instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at preferred rights at fair value through profit or loss (the "**FVTPL**")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributed to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial Instruments with Preferred Rights

The preferred shares issued by our Company are redeemable at the option of the holder upon occurrence of certain events. These instruments can also be converted into ordinary shares of our Company at any time at the option of the holders, or automatically upon the closing of a qualified **[REDACTED]**. For details, see Note 27 to the Accountant's Report in Appendix I to this document.

We designated the financial instruments with preferred rights as financial liabilities at fair value through profit or loss. They are initially recognized at fair value. Fair value changes relating to market risk are recognized in profit or loss, the component of fair value changes relating to our Company's own credit risk is recognized in other comprehensive income. Amounts recorded in other comprehensive income related to credit risk are not subject to recycling in profit or loss, but are transferred to accumulated losses when realized.

The financial instruments with preferred rights were classified as non-current liabilities unless the holders of the relevant preferred shares can demand our Company to redeem the preferred shares in cash within 12 months after the end of the Track Record Period.

Share-based Payment

During the Tracking Record Period, certain equity interests of the company held through Zephyrm Tongchuang were transferred by Ms. Jin, as one of the Controlling Shareholders, to certain employees at RMB1.0 consideration and vested immediately on the respective dates of transfer with the objective to incentivize employees for their contribution to our Group. On the respective dates of transfer, the difference between the fair values and the consideration of the shares transferred were recognized as employee benefit expenses, with corresponding increases for the same amounts in equity. Information relating to the share incentive arrangement is set out in Note 27 to the Accountant's Report set out in Appendix I to this document.

Leases

We assess 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.

We apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. We recognize lease liabilities to make lease payments and right of-use assets representing the right to use the underlying assets.

Right-of-Use Assets

We recognize right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, 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:

Properties	3–5 years
Land use right	50 years

If ownership of the leased asset transfers to our Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated by using the estimated useful lives of the related assets.

Lease Liabilities

Lease liabilities are recognized 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 us and payments of penalties for terminating the lease, if the lease term reflects our exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, we use 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 the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-Term Leases and Leases of Low-Value Assets

We apply the short-term lease recognition exemption to its short-term leases of machinery and equipment (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 recognized as an expense on a straight-line basis over the lease term.

Fair Value Measurement

To provide an indication about the reliability of the inputs used in determining fair value, our Group has classified our financial instruments into the three levels prescribed under the accounting standards.

Our Group's policy is to recognize transfers into and out of fair value hierarchy levels as of the end of each reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. The quoted market price already incorporates the market's assumptions with respect to changes in economic climate such as rising interest rates and inflation, as well as changes due to ESG risk. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Property, Plant and Equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to our Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each year or period of the Track Record Period.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

Office equipment and furniture	3–5 years
Instruments	3–5 years
Leasehold improvements	Shorter of remaining lease term or estimated useful lives

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within other gains/(losses) – net in the historical financial information.

Cash and Cash Equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and Other Payables

Trade and other payables represent liabilities for goods and services provided to our Group prior to the end of the financial year/period which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

Critical Accounting Estimates and Judgements

Estimated Useful Lives of Licensed-In Know-How

Our management determines the estimated useful lives and related amortization charges for our licensed-in know-how with reference to the estimated periods that we intend to derive future economic benefits from the use of these assets. Our management will revise the depreciation amortization charges where useful lives are different from the previous estimates, or we will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in amortizable lives and therefore changing the amortization charges in future periods.

Impairment of Non-Financial Assets

Our Group assesses whether there are any indicators of impairment for all non-financial assets (including intangible assets, the right-of-use assets and property, plant and equipment) at the end of each of the Track Record Period. 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. 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, which requires significant judgment relating to level of revenue, operating costs and discount rates.

Judgment is required to select key assumptions applied in the adopted valuation models, including discounted cash flows and market approach. Changing the assumptions selected by our management in assessing impairment could materially affect the result of the impairment test and in turn affect our Group's financial condition and results of operations. If there is a significant adverse change in the key assumptions applied, it may be necessary to recognize impairment charge in the combined income statements.

Fair Value of Financial Liabilities

The fair value of financial instruments that are not traded in an active market is determined using appropriate valuation techniques. We use our judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting year/period, which are subject to uncertainty and might materially differ from the actual results. For details, see Note 3.3 to the Accountant's Report in Appendix I to this document.

Fair Value of Ordinary Shares Transferred and Share-Based Compensation Recognized

During the Tracking Record Periods, certain equity interests of Suzhou Zephyrm held through Zephyrm Tongchuang were transferred by Ms. Jin, as the Controlling Shareholder, to certain employees at the consideration of RMB1.0 per share and vested immediately on the respective dates of transfer with the objective to incentivize employees for their contribution to the Group.

The fair value of the ordinary shares transferred to employees is determined by using the back-solve method to determine the underlying equity fair value Suzhou Zephyrm and the equity allocation model to determine the fair value of ordinary shares transferred. Significant estimates on assumptions, such as risk-free interest rate, and expected volatility are made based on management's best estimates. For details, see Note 26 to the Accountant's Report in Appendix I to this document.

Consolidated Affiliated Entities arising from Contractual Arrangements

Our Group does not hold equity shares directly or indirectly in the Consolidated Affiliated Entities. However, as a result of the Contractual Arrangements contacts, our Group has rights to variable returns from our involvement with the Consolidated Affiliated Entities; and the ability to affect those returns through our power over the Consolidated Affiliated Entities; and is considered to have control over the Consolidated Affiliated Entities. Consequently, our Group regards the Consolidated Affiliated Entities as indirect subsidiaries. Our Group has included the financial position and results of the Consolidated Affiliated Entities in the historical financial information.

Nevertheless, these Contractual Arrangements may not be as effective as direct legal ownership in providing our Group with direct control over the Consolidated Affiliated Entities and uncertainties presented by the PRC legal system could impede our Group's beneficiary rights to the results, assets and liabilities of the Consolidated Affiliated Entities. Our Group believes that these Contractual Arrangements are in compliance with the relevant PRC laws and regulations and are legally binding and enforceable.

Capitalization of Development Costs

Development costs incurred on our Group's stem cell-derived cell therapy products are capitalized and deferred only when the development costs can meet the criteria in Note 15(iii) to the Accountant's Report set out in Appendix I to this document. Research and development costs which do not meet these criteria are expensed when incurred. Determining the amounts to be capitalized requires management to make judgements in assessing of whether the technical feasibility of the existing pipelines to be successfully commercialized and to generate probable future economic benefits for our Group had been achieved. During the Track Record Period, all costs incurred for research and development activities (other than those for purchase of licensed-in know-how) were expensed when incurred.

DESCRIPTION OF SELECTED ITEMS OF COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The table below sets forth the components of our combined statements of profit or loss and other comprehensive income for the periods indicated:

	Year Ended December 31,		Six Months Ended June 30,	
	2022	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Administrative expenses	(23,791)	(32,306)	(18,374)	(143,077)
Research and development expenses	(66,311)	(102,756)	(34,138)	(58,515)
Other income, net	1,533	2,260	57	70
Other losses, net	(81,007)	(60,526)	(22,895)	(28,621)
Operating loss	**(169,576)**	**(193,328)**	**(75,350)**	**(230,143)**
Finance income	19	661	337	216
Finance costs	(3,207)	(3,350)	(1,314)	(6,658)
Finance costs, net	(3,188)	(2,689)	(977)	(6,442)
Loss before income tax	**(172,764)**	**(196,017)**	**(76,327)**	**(236,585)**
Income tax expenses	–	–	–	–
Loss for the year/period	**(172,764)**	**(196,017)**	**(76,327)**	**(236,585)**
Loss and total comprehensive loss for the year/period attributable to owners of the Company	**(172,764)**	**(196,017)**	**(76,327)**	**(236,585)**

Research and Development Expenses

During the Track Record Period, our research and development expenses primarily consisted of (i) share-based payment compensation; (ii) employee benefit expenses mainly relating to salaries, bonus and other welfare for our research and development personnel; (iii) depreciation and amortization expenses in relation to our research and development equipment and instruments as well as intangible assets which were used for research and development purpose; (iv) pre-clinical and clinical trial expenses for our drug candidates, primarily in relation to the engagement of CROs, PIs, and other service providers; (v) research material expenses in relation to raw materials consumed in the course of our research and development activities; (vi) indication research related fees in relation to our collaboration with the Strategic Collaborators; and (vii) other research and development expenses, mainly comprising traveling and transportation expenses of our research and development personnel and other miscellaneous expenses. The following table sets forth a breakdown of our research and development expenses for the periods indicated:

	Year Ended December 31,		Six Months Ended June 30,	
	2022	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Share-based payment compensation	–	–	–	15,005
Employee benefit expenses	22,970	31,387	15,092	15,408
Depreciation and amortization expenses	9,300	9,178	4,312	8,498
Pre-clinical and clinical trial expenses	14,439	20,441	7,380	14,552
Research material expenses	16,915	9,422	4,681	3,296
Indication research related fees	–	28,779	–	–
Other expenses	2,687	3,549	2,673	1,756
Total	**66,311**	**102,756**	**34,138**	**58,515**

Our research and development expenses attributable to our Core Product were RMB64.5 million, RMB57.3 million, RMB28.2 million and RMB42.2 million in 2022 and 2023 and the first six months ended June 30, 2023 and 2024, respectively, accounting for 97.3%, 55.8%, 82.7% and 72.2% of our total research and development expenses, and 71.6%, 42.4%, 53.8% and 21.0% of our total operating expenses (i.e. research and development expenses and administrative expenses) in the respective period.

The following table sets forth the pre-clinical and clinical trial expenses attributable to our Core Product during the Track Record Period:

	Year Ended December 31,		Six Months Ended June 30,	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Pre-clinical	9,406	7,442	2,557	8,021
Phase I	1,367	781	588	640
Phase II	3,666	11,673	4,235	5,876
Total	**14,439**	**19,896**	**7,380**	**14,537**

Administrative Expenses

During the Track Record Period, our administrative expenses primarily consisted of (i) share-based payment compensation; (ii) employee benefit expenses mainly relating to salaries, bonus and other welfare for our administrative personnel; (iii) **[REDACTED]** expenses; (iv) depreciation and amortization expenses for offices, equipment and other assets used for administrative purpose; (v) professional service expenses mainly paid to financial advisors, legal advisors, auditors, asset valuers and recruitment consultants; (vi) general office expenses mainly comprising office expenses, traveling and transportation expenses and utilities used for administrative purpose; and (vii) other administrative expenses mainly including tax and surcharges and other miscellaneous expenses. The following table sets forth a breakdown of our administrative expenses for the periods indicated:

	Year Ended December 31,		Six Months Ended June 30,	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Share-based payment compensation	–	–	–	114,175
Employee benefit expenses	11,285	12,910	6,218	8,676
[REDACTED] expenses	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Depreciation and amortization expenses	5,602	4,513	2,221	2,827
General office expenses	2,746	2,879	957	1,542
Professional service expenses	1,449	7,636	6,927	1,176
Other expenses[(1)]	2,709	4,368	2,051	1,459
Total	**23,791**	**32,306**	**18,374**	**143,077**

Note:

(1) Mainly included tax and surcharges and other miscellaneous expenses.

Other Income, Net

Our net other income primarily represents government grants received from local governments to support our R&D activities and business operation. The following table sets forth the components of our other income for the periods indicated:

	Year Ended December 31,		Six Months Ended June 30,	
	2022	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Government grants	1,444	2,155	57	70
Others	89	105	–	–
Total	**1,533**	**2,260**	**57**	**70**

Other Losses, Net

During the Track Record Period, our net other losses primarily consisted of net fair value losses on financial instruments with preferred rights in relation to the fair value change in the preferred shares we issued to the pre-**[REDACTED]** investors. The table below sets forth a breakdown of our net other losses for the periods indicated:

	Year Ended December 31,		Six Months Ended June 30,	
	2022	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Net fair value losses on financial instruments with preferred rights	79,460	60,524	22,895	28,620
Net fair value losses on convertible loan	1,546	–	–	–
Others	1	2	–	1
Total	**81,007**	**60,526**	**22,895**	**28,621**

Finance Costs, Net

During the Track Record Period, our finance income represented interest income arising from our bank deposits; our finance costs primarily consisted of (i) interest for long-term payables to the Strategic Collaborators mainly in relation to our collaboration with the Strategic Collaborators; (ii) interest expense on borrowings from local commercial banks and other financial institutions; and (iii) interest for lease liabilities. The following table sets forth the components of our finance income and costs for periods indicated:

	Year Ended December 31,		Six Months Ended June 30,	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Finance income				
Interest from bank deposits	19	661	337	216
	19	*661*	*337*	*216*
Finance costs				
Interest for long-term payables to the Strategic Collaborators	1,110	339	–	5,220
Interest expense on borrowings	1,746	2,347	1,115	711
Interest for lease liabilities	340	499	90	718
Others	11	165	109	9
	3,207	*3,350*	*1,314*	*6,658*
Finance costs, net	**3,188**	**2,689**	**977**	**6,442**

Income Tax Expenses

Our principal applicable taxes and tax rates are set forth as follows:

Cayman Islands

Our Company is incorporated as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as a consolidated and revised) of the Cayman Islands and is not subject to Cayman Islands income tax.

Hong Kong

During the Track Record Period, no provision for Hong Kong profits tax has been provided as our Group has no taxable profits deriving from Hong Kong.

Mainland China

No provision for Mainland China income tax has been provided pursuant to the Corporate Income Tax Law and the respective regulations, as all of the entities within our Group do not have any taxable profits.

We did not record any income tax expense during the Track Record Period. Our Directors confirm that during the Track Record Period, we had made all the required tax filings and had no outstanding tax liabilities with the relevant tax authorities in the relevant jurisdictions and we are not aware of any outstanding or potential disputes with such tax authorities.

RESULTS OF OPERATIONS

Six Months Ended June 30, 2024 Compared to Six Months Ended June 30, 2023

Research and Development Expenses

Our research and development expenses increased by RMB24.4 million from RMB34.1 million for the six months ended June 30, 2023 to RMB58.5 million for the six months ended June 30, 2024, primarily due to (i) an increase of RMB15.0 million in share-based payment compensation mainly in relation to a share transfer transaction in Suzhou Zephyrm in June 2024 involving our certain R&D employee consummated. For more details of this share transfer transaction, see "History, Reorganization and Corporate Structure – Our Subsidiaries and Operating Entities – Establishment and Shareholding Changes of Subsidiaries – Suzhou Zephyrm" in this document; and (ii) an increase of RMB7.2 million in pre-clinical and clinical trial expenses mainly driven by the advancement in our research and development activities for our Core Product.

Administrative Expenses

Our administrative expenses increased significantly by RMB124.7 million from RMB18.4 million for the six months ended June 30, 2023 to RMB143.1 million for the six months ended June 30, 2024, primarily due to an increase of RMB114.2 million in share-based payment compensation in relation to a share transfer transaction in Suzhou Zephyrm in June 2024 involving certain employees. For more details of this share transfer transaction, see "History, Reorganization and Corporate Structure – Our Subsidiaries and Operating Entities – Establishment and Shareholding Changes of Subsidiaries – Suzhou Zephyrm" in this document.

Other Income, Net

Our net other income remained relatively stable at RMB57,000 for the six months ended June 30, 2023 and RMB70,000 for the six months ended June 30, 2024.

Other Losses, Net

Our net other losses increased by RMB5.7 million from RMB22.9 million for the six months ended June 30, 2023 to RMB28.6 million for the six months ended June 30, 2024, primarily due to an increase of RMB5.7 million in increase in financial instruments with preferred rights mainly driven by the advancement in the clinical development of Core Product, which led to an increase in the Group's overall valuation.

Finance Costs, Net

Our net finance costs increased by RMB5.5 million from RMB1.0 million for the six months ended June 30, 2023 to RMB6.4 million for the six months ended June 30, 2024, primarily attributable to a significant increase of RMB5.2 million in interest for long-term payables to the Strategic Collaborators as we recognized certain amount of payables by the end of 2023, in relation to collaboration agreements we entered into with the Strategic Collaborators. For more details of the collaboration agreements, see "Business – Collaboration Agreements" in this document.

Loss for the Period

For the reasons described above, we recorded a loss of RMB236.6 million for the six months ended June 30, 2024, compared with a loss of RMB76.3 million for the six months ended June 30, 2023.

Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

Research and Development Expenses

Our research and development expenses increased by RMB36.5 million from RMB66.3 million in 2022 to RMB102.8 million in 2023, primarily due to (i) an increase of RMB28.8 million in indication research related fees in relation to our collaboration with the Strategic Collaborators; (ii) an increase of RMB8.4 million in employee benefit expenses mainly because we hired more employees to support our research and development activities in 2023, and (iii) an increase of RMB6.0 million in pre-clinical and clinical trial expenses mainly driven by the advancement in our research and development activities for our Core Product, ZH901, and an increase in the payments for establishing and maintaining several clinical trial centers in support of the clinical development of our product candidates.

Administrative Expenses

Our administrative expenses increased by RMB8.5 million from RMB23.8 million in 2022 to RMB32.3 million in 2023, primarily due to an increase of RMB6.2 million in professional service expenses as we incurred service expenses in relation to our financing activities in 2023.

Other Income, Net

Our net other income increased by RMB0.8 million from RMB1.5 million in 2022 to RMB2.3 million in 2023, primarily due to an increase of RMB0.7 million in government grants as we received a one-off government grant in relation to the research and development of ZH901, our Core Product, in 2023.

Other Losses, Net

Our net other losses decreased by RMB20.5 million from RMB81.0 million in 2022 to RMB60.5 million in 2023, primarily due to a decrease of RMB18.9 million in increase in financial instruments with preferred rights at FVTPL mainly affected by the advancement in the clinical development of Core Product, which led to an increase in the Group's overall valuation.

Finance Costs, Net

Our net finance costs remained relatively stable at RMB3.2 million in 2022 and RMB2.7 million in 2023.

Loss for the Year

For the reasons described above, we recorded a loss of RMB196.0 million in 2023, compared with a loss of RMB172.8 million in 2022.

DISCUSSION OF SELECTED ITEMS FROM THE COMBINED STATEMENTS OF FINANCIAL POSITION

The following table sets forth selected items from our combined statements of financial position as of the dates indicated:

	As of December 31,		As of June 30,
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment	4,677	3,466	6,187
Right-of-use assets	4,950	25,796	87,131
Intangible assets	77,846	243,364	236,665
Other receivables, deposits and prepayments	782	2,144	5,539
	88,255	274,770	335,522

	As of December 31,		As of June 30,
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Current assets			
Inventories	3,383	2,483	1,894
Other receivables, deposits and prepayments	6,204	12,572	30,141
Cash and cash equivalents	18,808	166,742	78,264
	28,395	181,797	110,299
Total assets	**116,650**	**456,567**	**445,821**
EQUITY			
Combined capital	4,145	4,145	20,545
Other reserves	6,024	6,024	135,204
Accumulated losses	(378,804)	(574,821)	(811,406)
Deficit on total equity attributable to owners of the Company	**(368,635)**	**(564,652)**	**(655,657)**
LIABILITIES			
Non-current liabilities			
Lease liabilities	1,702	19,701	20,727
Long-term payables	–	179,963	170,706
	1,702	199,664	191,433
Current liabilities			
Trade payables	12,179	5,241	13,013
Other payables and accruals	83,181	40,531	57,077
Deferred income	–	2,861	2,875
Lease liabilities	3,224	5,520	6,137
Borrowings	24,000	27,879	30,000
Financial instruments with preferred rights	339,453	739,523	800,943
Convertible loan	21,546	–	–
	483,583	821,555	910,045
Total liabilities	**485,285**	**1,021,219**	**1,101,478**
Deficit on total equity and liabilities	**116,650**	**456,567**	**445,821**

Property, Plant and Equipment

During the Track Record Period, our property, plant and equipment consisted of office equipment and furniture, and instruments in relation to our research and development activities. Our property, plant and equipment decreased from RMB4.7 million as of December 31, 2022 to RMB3.5 million as of December 31, 2023, primarily due to an accumulated depreciation in our office equipment and furniture and our instruments. Our property, plant and equipment then increased to RMB6.2 million as of June 30, 2024, primarily due to (i) the upgrade of our R&D premises, and (ii) our procurement of new instruments for our research and development activities in the first half of 2024.

Right-of-use Assets

During the Track Record Period, our right-of-use assets consisted of our right to used leased properties, which are measured at cost less any accumulated depreciation and impairment losses, and adjusted for any reimbursement of lease liability. Our right-of-use assets increased significantly from RMB5.0 million as of December 31, 2022 to RMB25.8 million as of December 31, 2023, primarily due to new lease agreements we entered into in 2023. Our right-of-use assets then increased significantly to RMB87.1 million as of June 30, 2024, primarily due to the acquisition of land use rights in the first half of 2024 for establishing our own manufacturing center.

Intangible Assets

During the Track Record Period, our intangible assets primarily included computer software and licensed-in know-how. For more details of our licensed-in know-how, see Note 15 to the Accountant's Report in Appendix I to this document. Our net book amount of our intangible assets increased from RMB77.8 million as of December 31, 2022 to RMB243.4 million as of December 31, 2023, primarily due to a significant increase in our licensed-in know-how mainly in relation to our collaboration with the Strategic Collaborators. Our net book amount of our intangible assets then decreased to RMB236.7 million as of June 30, 2024, primarily due to the amortization in our licensed-in know-how in the first half of 2024.

The table below sets forth a breakdown of our intangible assets as of the date indicated:

	As of December 31,		As of June 30,
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Computer Software	990	766	676
Licensed-in know-how	76,838	242,582	235,974
Others	18	16	15
Total	**77,846**	**243,364**	**236,665**

Other Receivables, Deposits and Prepayments

During the Track Record Period, our other receivables, deposits and prepayments consisted of (i) receivables for capital increase of Suzhou Zephyrm, (ii) prepayment for inventories and clinical trial fees, mainly representing our prepayments for purchase of services and goods in relation to our research and development activities; (iii) prepayment for property, plant and equipment; (iv) VAT input tax to be deducted or refunded, representing value-added tax paid by us on purchases that are deductible against future value-added tax payables or refundable by tax bureau; (v) rental deposits due from third parties primarily made for our leased premise; (vi) receivables due from related parties, mainly representing our rental deposits with related parties; (vii) capitalized **[REDACTED]** expenses in relation to the **[REDACTED]**; and (viii) others.

The following table below sets forth a breakdown of our other receivables, deposits and prepayments as of the dates indicated:

	As of December 31,		As of June 30,
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Receivables for capital increase of Suzhou Zephyrm	–	–	16,400
Prepayment for inventories and clinical trial fee	4,337	8,385	9,326
Prepayment for property, plant and equipment	–	537	3,150
Rental deposits due from third parties	1,687	1,765	1,769
VAT input tax to be deducted or refunded	770	3,607	1,579
Receivables due from related parties	30	30	746
Capitalized **[REDACTED]** expenses	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Others	162	392	533
Total	**6,986**	**14,716**	**35,680**

Our other receivables, deposits and prepayments increased significantly from RMB7.0 million as of December 31, 2022 to RMB14.7 million as of December 31, 2023, primarily due to (i) an increase of RMB4.0 million in prepayment for inventories and clinical trial fee driven by the advancement of our research and development activities, and (ii) an increase of RMB2.8 million in VAT input tax to be deducted or refunded. Our other receivables, deposits and prepayments further increased to RMB35.7 million as of June 30, 2024, primarily due to (i) an incurrence of receivables for a capital contribution of RMB16.4 million from the shareholder of Suzhou Zephyrm in the first half of 2024, (ii) an increase of RMB2.6 million in prepayment for property, plant and equipment mainly in relation to the procurement of R&D equipment for the development of our Core Product in the first half of 2024, and (iii) an increase of RMB2.2 million in capitalized **[REDACTED]** expenses.

As of August 31, 2024, RMB1.6 million, or 4.5% of our other receivables, deposits and prepayments as of June 30, 2024 had been subsequent settled.

Inventories

Our inventories consisted of raw materials and consumables during the Track Record Period. The balance of our inventories decreased from RMB3.4 million as of December 31, 2022 to RMB2.5 million as of December 31, 2023, and further to RMB1.9 million as of June 30, 2024. The relatively higher inventory balance in 2022 was primarily because we procured more raw materials and consumables in advance in order to mitigate the risk of supply shortage due to the impact of the COVID-19 in 2022.

We regularly monitor our inventories to reduce the risk of overstocking. We had not experienced any material shortage or overstock of inventory during the Track Record Period. As of August 31, 2024, RMB0.5 million, or 26.1% of inventories as of June 30, 2024 had been utilized.

Cash and Cash Equivalents

Our cash and cash equivalents primarily consist of our cash and bank balances. The following table sets forth a breakdown of our cash and cash equivalents by currency type as of the dates indicated:

	As of December 31,		As of June 30,
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Cash at banks			
– RMB deposits	18,808	166,734	78,256
– USD deposits	–	8	8
Total	**18,808**	**166,742**	**78,264**

Our cash and cash equivalents increased significantly from RMB18.8 million as of December 31, 2022 to RMB166.7 million as of December 31, 2023, primarily because we received the proceeds from our financing activities in 2023. Our cash and cash equivalents then decreased to RMB78.3 million as of June 30, 2024, primarily due to our purchase of land use right for building our manufacturing center in Zhongshan and our payments in relation to the advancement of research and development activities for our Core Product in the first half of 2024.

Trade Payables

Our trade payables are mainly related to our purchases of raw materials and professional services in relation to our research and development activities during the Track Record Period. Our trade payables decreased from RMB12.2 million as of December 31, 2022 to RMB5.2 million as of December 31, 2023, primarily because we settled a certain amount of trade payables. Our trade payables then increased to RMB13.0 million as of June 30, 2024, primarily due to an increase in our payment obligations in relation to the advancement of our research and development activities in the first half of 2024.

The following table sets forth an aging analysis of our trade payables based on invoice date as of the dates indicated:

	As of December 31,		As of June 30,
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	12,179	5,241	13,013
Total	**12,179**	**5,241**	**13,013**

As of August 31, 2024, RMB1.9 million, or 14.6% of our trade payables as of June 30, 2024 had been subsequent settled.

Other Payables and Accruals

Our other payables and accruals primarily consisted of (i) payable to the Strategic Collaborators representing to our payment obligations due within one year pursuant to the new collaboration agreement we entered into with the Strategic Collaborators; (ii) accrued **[REDACTED]** expenses and issue costs; (iii) payroll and welfare payables to our employees; (iv) borrowing from third parties and accrued interest; (v) payable to related parties, mainly representing our payables in relation to our equity financing and our borrowings from our related parties; (vi) accrued professional fees to financial advisors; and (vii) others.

The following table sets forth a breakdown of our other payables and accruals as of the dates indicated:

	As of December 31,		As of June 30,
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Payable to the Strategic Collaborators	25,000	19,900	34,377
[REDACTED]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Payroll and welfare payables	11,852	8,861	6,383
Borrowing from third parties and accrued interest	10,814	4,374	694
Payable to related parties	34,429	10	–
Accrued professional fees	800	6,300	500
Others	286	1,086	2,894
Total	**83,181**	**40,531**	**57,077**

Our other payables and accruals decreased significantly from RMB83.2 million as of December 31, 2022 to RMB40.5 million as of December 31, 2023, primarily due to a decrease of RMB34.4 million in payable to the related parties primarily as we settled significant amount of loans with our related parties. Our other payables and accruals then increased to RMB57.1 million as of June 30, 2024, primarily due to an increase in our payable to the Strategic Collaborators due within one year pursuant to the new collaboration agreement we entered into with the Strategic Collaborators in 2022.

As of August 31, 2024, RMB5.1 million, or 9.0% of our other payables and accruals as of June 30, 2024 had been subsequent settled.

Long-Term Payables

Our long-term payables represented the payment obligations due over one year under our collaboration with the Strategic Collaborators. From May 2019 until December 2023, we entered into a series of collaboration agreements with the Strategic Collaborators. For more details of such collaboration, see "Business – Collaboration Agreements – Collaboration Arrangement with the Strategic Collaborators" in this document. As of December 31, 2022 and 2023 and June 30, 2024, we recorded long-term payables of nil, RMB180.0 million and RMB170.7 million, respectively.

KEY FINANCIAL RATIOS

The table below sets forth our key financial ratio as of the dates indicated:

	As of December 31,		As of June 30,
	2022	2023	2024
	%	%	%
Current ratio[(1)]	5.9	22.1	12.1

Note:

(1) Current ratio represents current assets divided by current liabilities as of the same dates.

Our current ratio increased from 5.9% as of December 31, 2022 to 22.1% as of December 31, 2023, primarily due to an increase in our cash and cash equivalents of RMB147.9 million as we received the proceeds from our financing activities in 2023.

Our current ratio then decreased from 22.1% as of December 31, 2023 to 12.1% as of June 30, 2024, primarily due to (i) a decrease of RMB88.5 million in our cash and cash equivalents mainly in relation to our acquisition of land use right and the advancement in our research and development activities in the first half of 2024, and (ii) an increase of RMB61.4 million in financial instruments with preferred rights.

LIQUIDITY AND CAPITAL RESOURCES

Net Current Assets/(Liabilities)

	As of December 31,		As of June 30,	As of August 31,
	2022	2023	2024	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*
Current assets				
Inventories	3,383	2,483	1,894	535
Other receivables, deposits and prepayments	6,204	12,572	30,141	31,315
Cash and cash equivalents	18,808	166,742	78,264	67,090
	28,395	**181,797**	**110,299**	**98,940**
Current liabilities				
Trade payables	12,179	5,241	13,013	13,450
Other payables and accruals	83,181	40,531	57,077	106,185
Deferred income	–	2,861	2,875	2,348
Lease liabilities	3,224	5,520	6,137	6,557
Borrowings	24,000	27,879	30,000	30,000
Financial Instruments with preferred rights	339,453	739,523	800,943	813,524
Convertible loan	21,546	–	–	–
	483,583	**821,555**	**910,045**	**972,064**
Net current assets/(liabilities)	**(455,188)**	**(639,758)**	**(799,746)**	**(873,324)**

We had net current liabilities of RMB639.8 million as of December 31, 2023, compared to net current liabilities of RMB455.2 million as of December 31, 2022. The increase was primarily due to an increase of RMB400.1 million in financial instruments with preferred rights, partially offset by an increase of RMB147.9 million in cash and cash equivalents, mainly as a result of the completion of our financing activities in 2023.

We had net current liabilities of RMB799.7 million as of June 30, 2024, compared to net current liabilities of RMB639.8 million as of December 31, 2023. The increase was primarily due to (i) a decrease of RMB88.5 million in cash and cash equivalents mainly in relation to (a) our purchase of land use right in the first half of 2024, and (b) the advancement in the research and development activities of our Core Product; and (ii) an increase of RMB61.4 million in financial instruments with preferred rights.

As a development-stage biotechnology company, we have incurred negative cash flows from our operations since our inception. During the Track Record Period, our primary uses of cash were to fund the development of our product pipeline and payment for the purchase of land use right, plant and equipment, administrative expenses, employee benefit expenses and other recurring expenses. The following table provides information regarding our cash flows for the periods indicated:

	Year Ended December 31,		Six Months Ended June 30,	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Cash outflows in operating activities before movements in working capital	(73,660)	(89,838)	(45,693)	(60,811)
Changes in working capital	14,774	(11,612)	(8,704)	11,856
Proceeds from government grants	–	5,016	5,016	–
Net cash used in operating activities	(58,886)	(96,434)	(49,381)	(48,955)
Net cash used in investing activities	(1,748)	(2,651)	(694)	(66,641)
Net cash generated from financing activities	73,284	247,019	93,743	27,118
Net increase/(decrease) in cash and cash equivalents	**12,650**	**147,934**	**43,668**	**(88,478)**
Cash and cash equivalents at beginning of the year/period	6,158	18,808	18,808	166,742
Cash and cash equivalents at end of the year/period	**18,808**	**166,742**	**62,476**	**78,264**

Operating Activities

For the six months ended June 30, 2024, our net cash used in operating activities was RMB49.0 million, which was primarily attributable to our loss before income tax of RMB236.6 million, adjusted for non-cash and non-operating items, mainly including (i) non-cash share-based payment expenses of RMB129.2 million, (ii) amortization of right-of-use assets and intangible assets of RMB10.8 million, and (iii) net fair value losses on financial instruments with preferred rights of RMB28.6 million. The amount was further adjusted by the positive effect of changes in working capital, primarily including an increase in trade payables of RMB7.8 million.

In 2023, our net cash used in operating activities was RMB96.4 million, which was primarily attributable to our loss before tax of RMB196.0 million, adjusted for non-cash and non-operating items, including (i) net fair value losses on financial instruments with preferred rights of RMB60.5 million; and (ii) an increase in indication research related fee of RMB28.8 million. The amount was further adjusted by the negative effect of changes in working capital, primarily including (i) a decrease in trade payables of RMB6.9 million; and (ii) an increase in other receivables and prepayments of RMB6.8 million.

In 2022, our net cash used in operating activities was RMB58.9 million, which was primarily attributable to our loss before tax of RMB172.8 million, adjusted for non-cash and non-operating items, including (i) net fair value losses on financial instruments with preferred rights of RMB79.5 million; (ii) amortization of right-of-use assets and intangible assets of RMB9.6 million; and (iii) depreciation of property, plant and equipment of RMB5.3 million. The amount was further adjusted by the positive effect of changes in working capital, primarily including an increase in accruals and other payables of RMB32.2 million.

Investing Activities

For the six months ended June 30, 2024, our net cash used in investing activities was RMB66.6 million, primarily as a result of (i) purchase of intangible assets of RMB60.3 million and (ii) payments for property, plant and equipment of RMB6.4 million.

In 2023, our net cash used in investing activities was RMB2.7 million as a result of payments for property, plant and equipment of RMB2.7 million.

In 2022, our net cash used in investing activities was RMB1.7 million as a result of payments for property, plant and equipment of RMB1.7 million.

Financing Activities

For the six months ended June 30, 2024, our net cash generated financing activities was RMB27.1 million, primarily as a result of capital contribution from preferred shareholders and registered capital increase of RMB32.8 million, partially offset by (i) repayment of bank borrowings of RMB7.9 million, and (ii) repayment of borrowings to third parties of RMB3.7 million.

In 2023, our net cash generated from financing activities was RMB247.0 million, primarily as a result of capital contribution from preferred shareholders and register capital increase of RMB309.5 million, partially offset by (i) repayments of borrowings from related parties of RMB26.5 million, and (ii) repayments of bank borrowings of RMB26.1 million.

In 2022, our net cash generated from financing activities was RMB73.3 million, primarily as a result of (i) proceeds from borrowing from third parties of RMB48.8 million, (ii) proceeds from borrowing from related parties of RMB28.0 million, and (iii) capital contribution from preferred shareholders and register capital increase of RMB21.8 million, partially offset by (i) repayments of borrowings to third parties of RMB45.6 million; and (ii) repayment of bank borrowings of RMB8.0 million.

CASH OPERATING COSTS

The following table sets forth key information relating to our cash operating costs for the periods indicated:

	Year Ended December 31,		Six Months Ended June 30,	
	2022	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
R&D costs				
R&D costs for our Core Product				
– Pre-clinical and clinical trial expenses	12,137	23,257	8,492	6,587
– Employee benefit expenses	22,079	23,797	14,435	10,871
– Costs of raw materials	12,068	12,548	9,909	1,520
– Others	1,268	2,897	2,198	908
R&D costs for our other product candidates				
– Employee benefit expenses	929	9,197	3,201	5,949
– Costs of raw materials	462	4,679	2,369	3,072
Workforce employment costs(1)	8,628	14,390	7,351	10,014

Note:

(1) Workforce employment costs represented total non-R&D employee benefit expenses comprising mainly salaries, bonus and benefits.

INDEBTEDNESS

As of December 31, 2022 and 2023, June 30, 2024 and August 31, 2024, except as disclosed in the table below, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, any guarantees, litigations or claims of immaterial importance, pending or threatened against any member of our Group or other material contingent liabilities. Since August 31, 2024, the latest practicable date for the purpose

of the indebtedness statement, and up to the date of this document, there had been no material adverse change to our indebtedness. The following table sets forth the breakdown of our indebtedness as of dates indicated:

	As of December 31,		As of June 30,	As of August 31,
	2022	2023	2024	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
Borrowings	24,000	27,879	30,000	30,000
Convertible loans	21,546	–	–	–
Lease liabilities	3,224	5,520	6,137	6,557
Other Payables	70,243	25,052	37,748	84,592
Financial instruments with preferred rights	339,453	739,523	800,943	813,524
Non-Current				
Lease liabilities	1,702	19,701	20,727	19,707
Long term payable	–	179,963	170,706	126,063
	460,168	**997,638**	**1,066,261**	**1,080,443**

Borrowings

Our borrowings represented bank borrowings we made during the Track Record Period and were primarily used to supplement our working capital. Our borrowings amounted to RMB24.0 million, RMB27.9 million, RMB30.0 million and RMB30.0 million as of December 31, 2022 and 2023, June 30, 2024 and August 31, 2024, respectively. During the Track Record Period, our bank borrowing bore interest at a rate equivalent to 2.8% to 7.0% per annum. We primarily used the proceeds of our borrowings for our research and development activities. The following table sets forth our borrowings as of the dates indicated:

	As of December 31,		As of June 30,	As of August 31,
	2022	2023	2024	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*
Current				
Short-term bank borrowings, guaranteed	24,000	27,879	30,000	30,000

Notes:

(1) As of June 30, 2024, our borrowings include: (i) the bank loan of RMB10.0 million, guaranteed by Suzhou Zephyrm and Dong Xin ("**Mr. Dong**"), our executive Director, and an independent third party; (ii) the bank loan of RMB5.0 million, guaranteed by Suzhou Zephyrm, Beijing Zephyrm and Mr. Dong, and (iii) the bank loan of RMB10.0 million, guaranteed by Suzhou Zephyrm and Beijing Chenguang Changsheng Financing Guarantee Co., Ltd. (北京晨光昌盛融資擔保有限公司) ("**Beijing Chenguang**"), with Suzhou Zephyrm, Mr. Dong and his close associate providing a counter-guarantee to Beijing Chenguang; and (iv) the bank guarantee loan of RMB5.0 million, guaranteed by Beijing Haidian Technology Corporate Finance Guarantee Co., Ltd. (北京海淀科技企業融資擔保有限公司) ("**Haidian Technology**"), with Suzhou Zephyrm, Mr. Dong and an independent third party also providing a counter-guarantee to Haidian Technology.

(2) As of December 31, 2023, our borrowings include: (i) the loan of RMB7.9 million, guaranteed by Suzhou Zephyrm and Mr. Dong; (ii) the loan of RMB5.0 million, guaranteed by both Suzhou Zephyrm, Beijing Zephyrm and Mr. Dong; (iii) the bank loan of RMB10.0 million, guaranteed by Suzhou Zephyrm and Beijing Chenguang, with Suzhou Zephyrm, Mr Dong and his close associate providing a counter-guarantee to Beijing Chenguang; and (iv) the bank loan of RMB5.0 million, guaranteed by Haidian Technology, with Suzhou Zephyrm, Mr. Dong and an independent third party also providing a counter-guarantee to Haidian Technology.

(3) As of December 31, 2022, our borrowings include: (i) the loan of RMB10.0 million, guaranteed by Suzhou Zephyrm, Mr. Dong and his wife; (ii) the bank loan of RMB5.0 million, guaranteed by Haidian Technology, with Suzhou Zephyrm, Mr. Dong and his close associate also providing a counter-guarantee to Haidian Technology; (iii) the loan of RMB2.0 million, guaranteed by Beijing Yizhuang International Financing Guarantee Co., Ltd. (北京亦莊國際融資擔保有限公司) ("**Yizhuang International**"), with Suzhou Zephyrm and Mr. Dong providing a counter-guarantee to Yizhuang International; and (iv) the loan of RMB7.0 million, guaranteed by both Suzhou Zephyrm and Beijing Chenguang, with Mr. Dong and his close associate also providing a counter-guarantee to Beijing Chenguang.

(4) Regarding the above mentioned bank borrowings that were guaranteed and/or counter-guaranteed by Mr. Dong and/or his close associate (the "**CP Guarantors**"), the CP Guarantees will be fully released before the **[REDACTED]**. For more details, see "Relationship with our Controlling Shareholders – Independence from Our Controlling Shareholders – Financial Independence" in this document.

Our bank borrowing agreements contain standard terms, conditions and covenants that are customary for commercial bank loans. Our Directors confirm that we have not defaulted in the repayment of the bank borrowings during the Track Record Period. Our Directors have confirmed that there was no material covenant on any of our outstanding debts and there was no breach of any covenants during the Track Record Period and up to the Latest Practicable Date. During the Track Record Period and up to the Latest Practicable Date, to the best knowledge of our Directors, we did not experience any difficulty in obtaining bank loans. Given our credit history and our current credit status, we believe that we will not encounter any major difficulties in obtaining additional bank borrowings in the future.

Convertible Loan

In December 2022, we entered into a convertible loan agreement (the "**Agreement**") with Yingshi Phase II, a shareholder of our Company. Under this Agreement, we issued convertible loan with a total principal amount of RMB20.0 million to Yingshi Phase II in 2022, which recorded a fair value of

RMB21.5 million as of December 31, 2022. In March 2023, all of the convertible loan were converted into our Series B Preferred Shares. For more details of the major terms and conditions of the convertible loan, see Note 29 to the Accountant's Report in Appendix I to this document.

Other Payables

Our other payables represented (i) payable to third parties, mainly our payables due within one year pursuant to the collaboration agreement we entered into with the Strategic Collaborators, borrowings from third parties and financial advisory fees payables; and (ii) payables to related parties, mainly representing our payables in relating to our equity financing and our borrowings from our related parties. As of December 31, 2022 and 2023 and June 30, 2024, and August 31, 2024, we recorded other payables of RMB70.2 million, RMB25.1 million, RMB37.7 million and RMB84.6 million, respectively. Our other payables decreased in 2023 primarily because we settled a significant amount of loans with our related parties. In the first half of 2024, there was an increase in our payment obligations due within one year pursuant to the collaboration agreement we entered into with the Strategic Collaborators in 2022.

Lease Liabilities

The following table sets forth our lease liabilities as of the dates indicated:

	As of December 31,		As of June 30,	As of August 31,
	2022	2023	2024	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*
Current	3,224	5,520	6,137	6,557
Non-current	1,702	19,701	20,727	19,707
Total	**4,926**	**25,221**	**26,864**	**26,264**

Our lease liabilities increased significantly from RMB4.9 million as of December 31, 2022 to RMB25.2 million as of December 31, 2023, primarily because of the our new leased premises in 2023. Our lease liabilities then remained relatively stable at RMB26.8 million as of June 30, 2024.

Financial Instruments With Preferred Rights

As of December 31, 2022 and 2023, and June 30, 2024 and August 31, 2024, we had financial instruments with preferred rights of RMB339.5 million, RMB739.5 million, RMB800.9 million and RMB813.5 million. Our financial instruments with preferred rights represented preferred shares that we issued to certain investors. For more details of financial instruments with preferred rights, see Note 27 to the Accountant's Report in Appendix I to this document.

Long-Term Payables

As of December 31, 2022 and 2023 and June 30, 2024 and August 31, 2024, we recorded long-term payables of nil, RMB180.0 million, RMB170.7 million and RMB126.1 million, respectively. For more details of long-term payables, see "– Discussion of Selected Items from the Combined Statements of Financial Position – Long-Term Payables" in this section.

WORKING CAPITAL CONFIRMATION

Our Directors are of the opinion that, taking into account (i) the financial resources available to our Group, including cash and cash equivalents of RMB67.1 million as of August 31, 2024, available financing facilities and the estimated **[REDACTED]** from the **[REDACTED]**, (ii) our cash burn rate, we will have sufficient working capital to cover at least 125% of our costs, including research and development expenses, administrative expenses, finance costs and other expenses for at least the next twelve months from the date of this document.

Our cash burn rate refers to the average monthly (i) net cash used in operating activities, which primarily includes research and development activities (excluding indication research related fees in relation to our collaboration with the Strategic Collaborators, which is expected to be non-recurring expenses in the near future) and general business operations, (ii) capital expenditures and (iii) lease liabilities. Assuming an average cash burn rate going forward will be similar to the cash burn rate level for the year ended December 31, 2023, we estimate that our cash and cash equivalents as of August 31, 2024 will be able to maintain our financial viability for **[REDACTED]** months or, if we take into account **[REDACTED]**% of the estimated **[REDACTED]** from the **[REDACTED]** (based on the low-point of the **[REDACTED]** stated in this document), **[REDACTED]** months. We will continue to monitor our cash flows from operations closely and expect to raise our next round of financing, if needed, with a minimum buffer of 12 months.

CAPITAL EXPENDITURE

We regularly incur capital expenditures to purchase and maintain our property, plant and equipment in order to enhance our research and development capabilities and expand our operations. During the Track Record Period, our capital expenditures primarily consisted of expenditures on the payment for/purchase of property, plant and equipment and intangible assets. Historically, we have funded our capital expenditures mainly through equity and debt financing. The following table sets forth our capital expenditures for the periods indicated:

	Year Ended December 31,		Six Months Ended June 30,	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Payment for property, plant and equipment	1,749	2,654	694	6,386
Payment for land use right	–	–	–	60,255
Total	**1,749**	**2,654**	**694**	**66,641**

CONTRACTUAL COMMITMENTS

As of December 31, 2022 and 2023 and June 30, 2024, we had contractual commitments of nil, nil and RMB3.8 million, respectively, primarily in connection with the property, plant and equipment.

CONTINGENT LIABILITIES

As of December 31, 2022 and 2023 and June 30, 2024, we did not have any contingent liabilities. We confirm that as of the Latest Practicable Date, there had been no material changes or arrangements to our contingent liabilities.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

FINANCIAL RISK DISCLOSURE

Our activities expose us to a variety of financial risks: market risk (including foreign exchange risk, and cash flow and fair value interest rate risk), credit risk and liquidity risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial position and financial performance. For details, see Note 3 to the Accountant's Report in Appendix I to this document. The discussion below provides a summary of our financial risks.

Market Risk

Foreign Exchange Risk

Foreign currency risk is the risk that the value of a financial instrument fluctuates because of the change in foreign exchange rates.

Our Group mainly operates in the PRC with most of the transactions settled in RMB, our Group determined to present its combined financial statements in RMB. Our presentation and functional currency is USD. Our Group is not exposed to foreign exchange risk as there are no significant transactions, financial assets or liabilities of our Group denominated in the currencies.

Cash Flow and Fair Value Interest Rate Risk

Our Group's interest rate risk primarily arose from borrowings with fixed rates from banks, related parties or third parties, interest-bearing cash and cash equivalents, payables to the Strategic Collaborators as disclosed in Note 24 to the Accountant's Report set out in Appendix I to this document, and lease liabilities. Financial assets or financial liabilities with variable interest rate expose our Group to cash flow interest-rate risk and financial assets or financial liabilities with fixed interest rate expose our Group to fair value interest-rate risk. Our Directors do not anticipate there is any significant impact on our Group resulting from the changes in fair value interest rate.

Our Group regularly monitors our interest rate risk to ensure that there is no undue exposure to significant interest rate movements.

Credit Risk

The carrying amounts of cash and cash equivalents as well as credit exposures to outstanding other receivables.

Risk Management

To manage risk arising from cash and cash equivalents and outstanding other receivables, our Group only transacts with state-owned or reputable financial institutions in the PRC. There has been no recent history of default in relation to these financial institutions.

For other receivables, our management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experiences. In view of the history of cooperation with debtors and the sound collection history of the related receivables, our management believes that the credit risk inherent in our Group's other receivables is not significant.

Impairment of Financial Assets

Our Group has cash and cash equivalents and other receivables that are subject to the expected credit loss model. While cash and cash equivalents and other receivables are subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Liquidity Risk

We aim to maintain sufficient cash and cash equivalents to meet operating capital requirements. For more details, including the analysis of our financial liabilities into relevant maturity groupings based on the remaining period at each statement of financial position date to the contractual maturity date, see Note 3.1(c) to the Accountant's Report in Appendix I to this document.

TRANSACTIONS WITH RELATED PARTIES

We had the following transactions during the Track Record Period, and the following table sets forth our transactions with related parties for the periods indicated:

	Year Ended December 31,		Six Months Ended June 30,	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Guarantee from key management personnel – bank loans	10,000	12,879	15,000	15,000
Counter-guarantee from key management personnel – bank loans	14,000	15,000	3,250	15,000
Purchase of right-of-use assets from a related party	–	11,678	–	–
Lease payments to a related party	–	682	–	1,364
Convertible loan obtained from a related party	21,546	–	–	–

The following table sets forth our loans from related parties for the periods indicated:

	Year Ended December 31,		Six Months Ended June 30,	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Loans from key management personnel	2,929	–	–	–
Loans from other related parties	23,000	–	8,500	–

Other than disclosed in the table above, we did not have any material related-party transactions during the Track Record period. It is the view of our Directors that each of the above related party transactions during the Track Record Period (i) was conducted in the ordinary course of business and on an arm's length basis and on normal commercial terms between the relevant parties, and (ii) did not distort our results of operations over the Track Record Period or made our historical results over the Track Record Period not reflective of our expectations for our future performance.

DIVIDENDS

During the Track Record Period, we have not declared or paid any dividends. As advised by our Cayman Islands legal advisor, under Cayman Islands law, a position of accumulated losses and net liabilities does not necessarily restrict our Company from declaring and paying dividends to our

Shareholders. Our Company may declare and pay a dividend out of either our profit or our share premium account, provided this would not result in our Company being unable to pay its debts as they fall due in the ordinary course of business. As we are a holding company incorporated under the laws of the Cayman Islands, the payment and amount of any future dividends will also depend on the availability of dividends received from our subsidiaries, including the ones in the PRC. According to PRC law and regulations, we may not pay dividends unless we have distributable profits in a given year as determined under PRC GAAP or IFRS. PRC laws also require enterprises incorporated in PRC to set aside at least 10% of their after-tax profits, if any, to fund certain statutory reserves, until the statutory reserves reach and remain at or above 50% of the relevant PRC entity's registered capital, which are not available for distribution as cash dividends.

We may distribute dividends in the future by way of cash or by other means that we consider appropriate. Any dividends we pay will be determined at the absolute discretion of our Board, taking into account factors including our actual and expected results of operations, cash flow and financial position, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, and other factors that our Board deems to be appropriate. Currently, we have not implemented policies to fix the dividend distribution ratio.

DISTRIBUTABLE RESERVES

As of June 30, 2024, we did not have any distributable reserves.

[REDACTED] EXPENSES

Our **[REDACTED]** expenses mainly include **[REDACTED]** and **[REDACTED]** and professional fees paid to legal advisers and the Reporting Accountant for their services rendered in relation to the **[REDACTED]** and the **[REDACTED]**. Assuming full payment of the discretionary incentive fee, the estimated total **[REDACTED]** expenses (based on the mid-point of our indicative **[REDACTED]** for the **[REDACTED]** and assuming that the **[REDACTED]** is not exercised) for the **[REDACTED]** are approximately RMB**[REDACTED]**, comprising of (i) **[REDACTED]**-related expenses, including **[REDACTED]** and other expenses, of RMB**[REDACTED]**; and (ii) non-**[REDACTED]**-related expenses of RMB**[REDACTED]**, including (a) fee paid and payable to Legal Advisors and Reporting Accountant of RMB**[REDACTED]**; and (b) other fees and expenses, including sponsor fees, of RMB**[REDACTED]**. We recorded **[REDACTED]** expenses of RMB**[REDACTED]** recognized in profit or loss for the six months ended June 30, 2024. The rest of the expenses in connection with the **[REDACTED]** is expected to be RMB**[REDACTED]**, of which an estimated amount of RMB**[REDACTED]** is expected to be recognized as administrative expenses and the remaining amount of RMB**[REDACTED]** is expected to be recognized directly as a deduction from equity upon the **[REDACTED]**.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]
[REDACTED] **[REDACTED]**
[REDACTED] **[REDACTED]**

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative statement of the unaudited **[REDACTED]** adjusted combined net tangible assets which has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the **[REDACTED]** as if it had taken place on June 30, 2024 and based on the combined net tangible liabilities attributable to the owners of the Company as of June 30, 2024 as shown in the Accountant's Report, the text of which is set out in Appendix I to this document, and adjusted as described below.

This unaudited **[REDACTED]** adjusted combined net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the **[REDACTED]** been completed as of June 30, 2024 or at any future date.

	Audited combined net tangible liabilities attributable to the owners of the Company as of June 30, 2024[1]	**Estimated [REDACTED] from the [REDACTED][2]**	**Estimated impact related to the conversion of the Preferred Shares upon [REDACTED][3]**	**Unaudited [REDACTED] adjusted combined net tangible assets attributable to the owners of the Company**	**Unaudited [REDACTED] adjusted combined net tangible assets per Share**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB[4]*	*HK$[5]*
Based on an [REDACTED] of HK$[REDACTED] per Share	(892,322)	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Based on an [REDACTED] of HK$[REDACTED] per Share	(892,322)	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

Notes:

(1) The audited combined net tangible liabilities attributable to the owners of the Company as of June 30, 2024 is extracted from the Accountant's Report set forth in Appendix I to the document, which is based on the audited combined net liabilities attributable to the owners of the Company as at June 30, 2024 of RMB655,657,000 with an adjustment for the intangible assets as of June 30, 2024 of RMB236,665,000.

(2) The estimated **[REDACTED]** from the **[REDACTED]** are based on the indicative **[REDACTED]** of HK$**[REDACTED]** and HK$**[REDACTED]** per share after deduction of the estimated **[REDACTED]** fees and other related expenses payable by the Company (excluding RMB**[REDACTED]** which had been charged to the combined statements of profit or loss and other comprehensive income up to June 30, 2024), without taking into account any shares which may be issued upon the exercise of the **[REDACTED]**.

(3) Upon the **[REDACTED]** and the completion of the **[REDACTED]**, all the Preferred Shares will be automatically converted into ordinary shares. These Preferred Shares will be re-designated from liabilities to equity. Accordingly, for the purpose of the unaudited **[REDACTED]** financial information, the unaudited **[REDACTED]** adjusted combined net tangible assets attributable to the owners of the Company will be increased by RMB**[REDACTED]**, being the carrying amounts of the Preferred Shares as of June 30, 2024.

(4) The unaudited **[REDACTED]** adjusted combined net tangible assets per share are determined after the adjustments as described in note (2) above and on the basis that **[REDACTED]** shares are in issue, assuming the **[REDACTED]** had been completed on June 30, 2024, without taking into account any shares which may fall to be issued upon the exercise of the **[REDACTED]**.

(5) For the purpose of this unaudited **[REDACTED]** adjusted net tangible assets, the balance stated in RMB is converted into Hong Kong dollars at a rate of HK$1.00 to RMB[0.9066], as set out in "Information about this document and the **[REDACTED]**" to this document. No representation is made that RMB amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

(6) No adjustments have been made to the unaudited **[REDACTED]** adjusted combined net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to June 30, 2024.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this document, save as disclosed under "Summary – Recent Developments" in this document, there has been no material adverse change in our financial, operational or trading position or prospects since June 30, 2024 (being the date on which the latest combined financial information of our Group was prepared) and up to the date of this document and there is no event since June 30, 2024 which would materially affect the information shown in our combined financial statements included in the Accountant's Report in Appendix I to this document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, except as otherwise disclosed in this document, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

BACKGROUND

Our Group engages in the development of innovative cell therapy products derived from pluripotent stem cells ("**PSCs**") for the treatment of a variety of medical conditions (the "**Relevant Business**"). For details, see "Business" in this document. We currently operate the Relevant Business through the Consolidated Affiliated Entities as PRC laws currently prohibit foreign ownership of PSC-derived cell therapy service providers except for foreign-invested enterprises which are allowed to engage in the development and application of technologies relating to human stem cells under the Pilot Circular (as defined below).

As a result of the restrictions imposed by PRC laws, we are unable to own or hold any direct equity interest in the Consolidated Affiliated Entities. Accordingly, the term "ownership" or the relevant concept, as applied to our Company in this document, refers to an economic interest in the assets or businesses through the Contractual Arrangements without holding any equity interest in the Consolidated Affiliated Entities. The Contractual Arrangements, through which we are able to exercise control over and derive the economic benefits from the Consolidated Affiliated Entities, are narrowly tailored to achieve our business purpose and minimize the potential for conflict with relevant PRC laws.

PRC LAWS RESTRICTING FOREIGN OWNERSHIP OF THE RELEVANT BUSINESS

Foreign investment activities in China are mainly governed by the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2021 Version) (外商投資准入特別管理措施(負面清單) (2021年版)) (the "**Negative List 2021**"), the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2024 Version) (外商投資准入特別管理措施(負面清單) (2024年版) (the "**Negative List 2024**", which will become effective on November 1, 2024) and the Catalog of Industries for Encouraging Foreign Investment (2022 Version) (鼓勵外商投資產業目錄(2022年版)), which were promulgated jointly by the MOFCOM and the NDRC. Both the Negative List 2021 and the Negative List 2024 set out industries "prohibited" or "restricted" for foreign investment, and all industries not "prohibited" or "restricted" are deemed to be "permitted" for foreign investment. Our Group engages in the Relevant Business through the Consolidated Affiliated Entities. According to the Circular on Launching the Pilot Program for Expanding the Opening-up in the Medical Sector (商務部、國家衛生健康委、國家藥監局關於在醫療領域開展擴大開放試點工作的通知) (the "**Pilot Circular**"), biotechnology foreign-invested enterprises are allowed to engage in the development and application of technologies relating to human stem cells and gene diagnosis and treatment in the China (Beijing) Pilot Free Trade Zone, the China (Shanghai) Pilot Free Trade Zone, the China (Guangdong) Pilot Free Trade Zone and the Hainan Free Trade Port for the registration, launch, and production of relevant products. With regard to the Relevant Business, PSC-derived cell therapy conducted by us falls into the scope of "prohibited" category of the Negative List 2021 and the Negative List 2024 and foreign investors are prohibited to invest in such business. None of the Consolidated Affiliated Entities is located at the trade zone or trade port stipulated in the Pilot Circular, thus the Pilot Circular is not applicable to our Group.

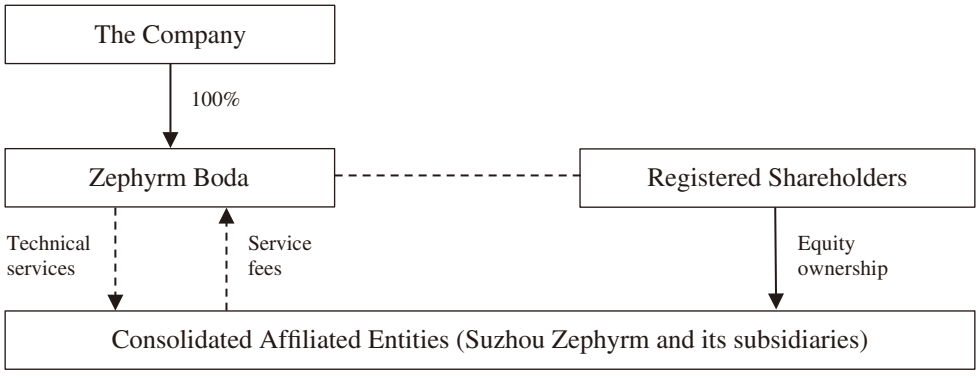
For details of the restrictions on foreign investment under PRC laws and regulations, see "Regulatory Overview – Regulations on Company Establishment and Foreign Investment" in this document.

Our PRC Legal Advisers conducted an interview with officers of Beijing MOFCOM, Beijing NMPA, Guangdong MOFCOM and Zhongshan SAMR, respectively in respect of the proposed Contractual Arrangements entitling the Company to control the 100% equity interests in Suzhou Zephyrm and its subsidiaries. According to the officers interviewed, (i) no approval or filing from the authority is required for the execution of the Contractual Arrangements; and (ii) the Relevant Business falls into the scope of "prohibited" category of the Negative List 2021 and the Negative List 2024 and foreign investors are prohibited to invest in such business. Our PRC Legal Advisers are of the view that (i) Beijing NMPA (北京市藥品監督管理局) and Zhongshan SAMR (中山市市場監督管理局) are the competent government authorities for the Relevant Businesses carried out by Consolidated Affiliate Entities; (ii) and that Beijing MOFCOM (北京市商務局) and Guangdong MOFCOM (廣東省商務廳) are the competent government authorities regulating the foreign investment in Beijing and Guangdong respectively; and (iii) the Relevant Business falls into the scope of "prohibited" category of the Negative List 2021 and the Negative List 2024 and foreign investors are prohibited to invest in such business.

We will unwind and terminate the Contractual Arrangements wholly or partially once the Relevant Business are no longer prohibited or restricted from foreign investment. We will directly hold the maximum percentage of ownership interests permissible under the relevant PRC laws and regulations if such businesses are allowed to be conducted by foreign investment entities under the relevant PRC laws and regulations.

CONTRACTUAL ARRANGEMENTS

The following simplified diagram illustrates the flow of economic benefits from the Consolidated Affiliated Entities to our Company under the Contractual Arrangements:



Notes:

(1) "——▶" denotes direct legal and beneficial ownership in the equity interest.

(2) "- - - - -▶" denotes contractual relationship. Under the Contractual Arrangements, the Zephyrm Boda shall provide technical services to the Consolidated Affiliated Entities, and the Consolidated Affiliated Entities shall pay service fees to the Zephyrm Boda directly.

(3) "- - - - - -" denotes the control by Zephyrm Boda over the registered shareholders through (i) voting proxy arrangement to exercise all shareholders' rights in Suzhou Zephyrm, (ii) exclusive options to acquire all or part of the equity interests in Suzhou Zephyrm and (iii) equity pledges over the equity interests in Suzhou Zephyrm.

Our Directors believe that the Contractual Arrangements are narrowly tailored to enable us to achieve our business and operation purposes under the current PRC regulatory framework so as to minimize the potential conflict with relevant PRC laws and regulations.

SUMMARY OF MATERIAL TERMS OF THE CONTRACTUAL ARRANGEMENTS

A summary of the material terms of each of the specific agreements that comprise the Contractual Arrangements is set out below.

Exclusive Business Cooperation Agreement

The Zephyrm Boda and Suzhou Zephyrm entered into an exclusive business cooperation agreement on September 29, 2024 (the "**Exclusive Business Cooperation Agreement**"), pursuant to which Suzhou Zephyrm has engaged Zephyrm Boda as the exclusive provider to provide Suzhou Zephyrm and its subsidiaries with comprehensive technical service, technical consulting and other services, including operation and business support, technical service, network support, business consulting, financial consulting, intellectual property licensing, property lease, market consulting, product research and development, system maintenance, management consulting and other related services as requested by Suzhou Zephyrm and its subsidiaries to the extent permitted under PRC laws.

Unless otherwise provided by PRC laws and regulations, or without the Zephyrm Boda's prior written consent, during the validity of the Exclusive Business Cooperation Agreement, Suzhou Zephyrm shall not, and shall procure its subsidiaries not to, (i) receive services which are identical or similar to the services covered by the Exclusive Business Cooperation Agreement from any third party, or (ii) enter into any similar cooperation with any third party.

In consideration of the services provided by the Zephyrm Boda, Suzhou Zephyrm and its subsidiaries shall pay services fees to the Zephyrm Boda, which, subject to the Zephyrm Boda's adjustment at its sole discretion, shall consist of all the consolidated net profit of Suzhou Zephyrm and its subsidiaries (net of accumulated deficit in the previous financial years (if any), costs, expenses, taxes and payments required by the applicable laws to be reserved or withheld). The service fees shall be paid annually by Suzhou Zephyrm and its subsidiaries.

The Exclusive Business Cooperation Agreement shall become effective upon signing and remain effective until, among other things, the Zephyrm Boda or its designee acquire all the equity interest in and/or all assets of Suzhou Zephyrm pursuant to the Exclusive Purchase Option Agreement (as defined below). None of the parties to the agreement (except Zephyrm Boda) is entitled to unilaterally terminate the Exclusive Business Cooperation Agreement.

Exclusive Purchase Option Agreement

Zephyrm Boda, Suzhou Zephyrm and the Registered Shareholders entered into an exclusive purchase option agreement on September 29, 2024 (the "**Exclusive Purchase Option Agreement**"), pursuant to which Suzhou Zephyrm and the Registered Shareholders have granted Zephyrm Boda or its

designee an irrevocable and exclusive right to purchase at any time and to the extent permitted by the then applicable PRC laws (i) from each of the Registered Shareholders all or any part of their equity interests in Suzhou Zephyrm and/or (ii) from Suzhou Zephyrm all or any of its assets or interests in any of its assets.

The purchase price payable by Zephyrm Boda or its designee in respect of the transfer of shares or assets shall be the nominal value or the lowest price permitted under the PRC laws, and the Registered Shareholders shall return the purchase price in full to Zephyrm Boda or its designee to the extent permitted under the then applicable PRC laws.

The Exclusive Purchase Option Agreement shall become effective upon signing and remain effective until that (i) Zephyrm Boda or its designee acquire all the equity interest in and/or all assets of Suzhou Zephyrm and (ii) Zephyrm Boda and its subsidiaries are permitted to carry out the business of Suzhou Zephyrm under applicable PRC laws. Unless otherwise provided by PRC laws and regulations, none of the parties to the agreement (except Zephyrm Boda) is entitled to unilaterally terminate the Exclusive Purchase Option Agreement.

Suzhou Zephyrm and the Registered Shareholders have undertaken jointly and severally, among other things, that:

(a) without Zephyrm Boda's prior written consent, they shall not supplement, alter or amend the articles of Suzhou Zephyrm in any manner, increase or reduce its registered capital, or otherwise change its registered capital structure, or effect separation, dissolution or any change in the corporate form of Suzhou Zephyrm;

(b) they shall maintain the existence of Suzhou Zephyrm, conduct its business and affairs prudently and efficiently in accordance with sound financial and commercial standards and practices, and procure the performance by Suzhou Zephyrm of its obligations under the Exclusive Business Cooperation Agreement;

(c) without Zephyrm Boda's prior written consent, they shall not sell, transfer, pledge or otherwise dispose of their legal interests in any of Suzhou Zephyrm's assets (tangible or intangible), business or income of more than RMB1 million, or allow the encumbrance of any security interest on them, at any time from the date of the Exclusive Purchase Option Agreement;

(d) unless required by PRC laws, without the written consent of Zephyrm Boda, Suzhou Zephyrm shall not be dissolved or liquidated. Following a statutory liquidation, the Registered Shareholders shall pay to Zephyrm Boda or its designee in full any residual value they receive or procure such payment. Where such payment is prohibited by PRC laws, the Registered Shareholders shall pay such income to Zephyrm Boda or the Zephyrm Boda's designee to the extent permitted by PRC laws;

(e) without Zephyrm Boda's prior written consent, they shall not incur, succeed to, guarantee or permit to exist any indebtedness other than (i) indebtedness incurred in the ordinary course of business and not by way of a loan; and (ii) indebtedness which has been disclosed to and agreed in writing by Zephyrm Boda;

(f) they shall operate all of Suzhou Zephyrm's business in the ordinary course of business so as to maintain the value of Suzhou Zephyrm's assets and not to engage in any act/omission which might adversely affect Suzhou Zephyrm's business and the value of its assets; and the board of directors of Zephyrm Boda (or in the absence of the board of directors, the executive director(s), same as below) has the authority to supervise and assess whether it has control over the assets of Suzhou Zephyrm; if Zephyrm Boda's board of directors believe that the operations of Suzhou Zephyrm affect the value of Suzhou Zephyrm's assets or affect its control over the assets of Suzhou Zephyrm, Zephyrm Boda will engage legal counsel or other professionals to address such issues;

(g) without Zephyrm Boda's prior written consent, they shall not procure Suzhou Zephyrm to enter into any material contract, except for contracts entered into in the ordinary course of business of Suzhou Zephyrm and contracts between Suzhou Zephyrm and Zephyrm Boda's overseas parent company or a subsidiary directly or indirectly controlled by Zephyrm Boda's overseas parent company (for the purpose of this paragraph, a contract with a value of more than RMB1 million is considered a material contract);

(h) without Zephyrm Boda's prior written consent, they shall not procure Suzhou Zephyrm to provide loans, financial assistance or security of any kind such as mortgages or pledges to any person or allow a third party to create a charge or pledge over Suzhou Zephyrm's assets or equity;

(i) they shall provide Zephyrm Boda with all information regarding the operations and financial condition of Suzhou Zephyrm on a regular basis within the third month after the end of each quarter or other specified time agreed by Zephyrm Boda;

(j) they shall, at the request of Zephyrm Boda, purchase and hold insurance from an insurance company acceptable to Zephyrm Boda in respect of the assets and businesses of Suzhou Zephyrm;

(k) they shall not cause or permit Suzhou Zephyrm to merge, form a partnership or joint venture or alliance with, or acquire or invest in, any person without the prior written consent of Zephyrm Boda;

(l) they shall promptly notify Zephyrm Boda of any litigation, arbitration or administrative proceedings that has occurred or may occur in relation to the assets, business or income of Suzhou Zephyrm and take all necessary measures as may be reasonably requested by Zephyrm Boda;

(m) they shall execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate complaints or defend against all claims to the extent necessary and appropriate to maintain Suzhou Zephyrm's ownership of all of its assets;

(n) they shall ensure that Suzhou Zephyrm shall not pay dividends in any form to its shareholders without the prior written consent of Zephyrm Boda, but upon written request of Zephyrm Boda, Suzhou Zephyrm shall immediately distribute all distributable profits to its shareholders;

(o) at the request of Zephyrm Boda, they shall appoint a party designated by Zephyrm Boda to serve as a director, supervisor and/or officer of Suzhou Zephyrm, and/or remove an incumbent director, supervisor and/or officer of Suzhou Zephyrm and to comply with all relevant resolutions and filing procedures; Zephyrm Boda shall have the right to request the Registered Shareholders and Suzhou Zephyrm to replace such persons;

(p) if the exercise of the right to purchase by Zephyrm Boda is prevented as a result of the failure of any shareholder of Suzhou Zephyrm or Suzhou Zephyrm to comply with applicable tax obligations under applicable law, Zephyrm Boda shall have the right to request Suzhou Zephyrm or its shareholders to comply with such tax obligations or to request Suzhou Zephyrm or its shareholders to pay such tax to Zephyrm Boda, which shall be paid by Zephyrm Boda on its behalf; and

(q) procure that Suzhou Zephyrm's subsidiaries shall, where applicable, comply with the undertakings herein as if such subsidiaries were Suzhou Zephyrm itself.

Equity Pledge Agreement

Zephyrm Boda, Suzhou Zephyrm and the Registered Shareholders entered into an equity pledge agreement on September 29, 2024 (the "**Equity Pledge Agreement**"), pursuant to which, the Registered Shareholders have pledged all of their respective equity interests in Suzhou Zephyrm to Zephyrm Boda as the first priority security to guarantee performance of their contractual obligations under the Contractual Arrangements and all liabilities, monetary debts or other payment obligations arising out of or in relation with the Contractual Arrangements.

Without Zephyrm Boda's prior written consent, the Registered Shareholders shall not transfer or otherwise dispose of all or part of the pledged shares.

Upon the occurrence of an event of default (as defined in the Equity Pledge Agreement), Zephyrm Boda may exercise its right of pledge at any time, including (i) requesting the Registered Shareholders or Suzhou Zephyrm to pay Zephyrm Boda any due payments, debt or any other payment under the Exclusive Business Cooperation Agreement and/or any loan, or (ii) dispose the pledged equity interests in accordance with the Equity Pledge Agreement or otherwise as permitted under PRC laws, including selling the pledged equity interests at discount or by way of auction. The Registered Shareholders have agreed to irrevocably waive their pre-emptive right as existing shareholders when Zephyrm Boda exercises such right of pledge.

The Equity Pledge Agreement shall become effective upon signing and remain effective until, among other things, (i) all obligations of Suzhou Zephyrm and the Registered Shareholders are satisfied in full, or (ii) Zephyrm Boda or its designee acquire all the equity interest in and/or all assets of Suzhou Zephyrm, and Zephyrm Boda and its designees are permitted to carry out the business of Suzhou Zephyrm under applicable PRC laws. None of the parties to the agreement (except Zephyrm Boda) is entitled to terminate the Equity Pledge Agreement.

We have registered the pledge of all the equity interests in Suzhou Zephyrm with the relevant administration for market regulation of the PRC.

Voting Proxy Agreement

Zephyrm Boda, Suzhou Zephyrm and the Registered Shareholders entered into a voting proxy agreement on September 29, 2024 (the "**Voting Proxy Agreement**"), pursuant to which the Registered Shareholders have appointed Zephyrm Boda and/or its designee as their exclusive agent and attorney to act on their behalf on all matters concerning Suzhou Zephyrm and to exercise all of their rights as shareholders of Suzhou Zephyrm, including, among other things:

(a) to propose, convene and attend meetings of shareholders of Suzhou Zephyrm as the Registered Shareholders' agent in accordance with Suzhou Zephyrm's articles of association;

(b) to exercise all shareholders' rights which the Registered Shareholders are entitled to in accordance with PRC laws and the articles of association of Suzhou Zephyrm including the right to vote, to dividends, to sell or transfer or pledge or dispose of part or all of the equity interests in Suzhou Zephyrm;

(c) to act as the legal representative of Suzhou Zephyrm, or as the chairman, executive director or manager of Suzhou Zephyrm and/or to designate, appoint or remove the legal representatives (chairman), directors, supervisors, chief executive officer (or manager) and other senior management of Suzhou Zephyrm on behalf of the Registered Shareholders, and to bring lawsuits or take other legal actions against a director, supervisor or senior management of Suzhou Zephyrm when the actions of such director, supervisor or senior management are prejudicial to the interests of Suzhou Zephyrm or its shareholders;

(d) to sign documents (including minutes of shareholders' meetings) and to file documents with the relevant company registry;

(e) to exercise voting rights on behalf of the Registered Shareholders in the event of insolvency, liquidation, dissolution or termination of Suzhou Zephyrm;

(f) to distribute the remaining assets after bankruptcy, liquidation, dissolution or termination of Suzhou Zephyrm;

(g) to determine the filing and registration of documents relating to Suzhou Zephyrm with governmental authorities; and

(h) to exercise any shareholder's right to deal with the assets of Suzhou Zephyrm in accordance with applicable laws, including the right to manage Suzhou Zephyrm's business in relation to its assets, the right to access Suzhou Zephyrm's income and the right to acquire Suzhou Zephyrm's assets.

Without the Zephyrm Boda's prior written consent, the Registered Shareholders shall not exercise any rights attached to the shares of Suzhou Zephyrm which have been authorized to Zephyrm Boda or its designee.

As a result of the Voting Proxy Agreement, our Company, through Zephyrm Boda, is able to exercise management control over the activities that most significantly impact the economic performance of Suzhou Zephyrm and its subsidiaries.

The Voting Proxy Agreement shall become effective upon signing and remain effective until, among other things, (i) Zephyrm Boda or its designees acquire all the equity interest in and/or all assets of Suzhou Zephyrm, and (ii) Zephyrm Boda and its designees are permitted to carry out the business of Suzhou Zephyrm under applicable PRC laws. None of the parties to the agreement (except Zephyrm Boda) is entitled to terminate the Voting Proxy Agreement.

Other Aspects of the Contractual Arrangements

Dispute Resolution

In the event of any dispute under the Contractual Arrangements:

(a) all disputes shall first be settled through friendly negotiation;

(b) if such disputes fail to be resolved by negotiations within 30 days, any party shall have the right to submit the disputes to China International Economic and Trade Arbitration Commission (中國國際經濟貿易仲裁委員會), and such disputes shall be arbitrated in accordance with the then effective arbitration rules of the arbitration commission. The arbitration shall be conducted in Beijing, China, and such arbitration award shall be final and binding on all parties to the arbitration;

(c) prior to the final award, the arbitral tribunal shall have the power to grant the Zephyrm Boda with appropriate legal remedies, including relevant remedies over the shares or assets of Suzhou Zephyrm, injunction relief, and winding-up order of Suzhou Zephyrm; and

(d) competent courts (including the courts of China, Hong Kong, the Cayman Islands and the other applicable jurisdictions) have the power to grant interim remedies (such as injunctive relief) before the formation of the arbitral tribunal or in other appropriate cases.

Our PRC Legal Adviser has, however, advised that (i) the dispute resolution provisions above may not be enforceable under PRC laws. For instance, an arbitral tribunal has no power to grant such injunctive relief or winding-up order under current PRC laws; and (ii) interim remedies granted by overseas courts such as courts of Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC.

As a result of the above, in the event that any of the Consolidated Affiliated Entities or the Registered Shareholders breach any of the Contractual Arrangements, our Company may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over the Consolidated Affiliated Entities and conduct its business could be materially and adversely affected.

Succession

Each of the agreements under the Contractual Arrangements is binding on the successors of the Registered Shareholders. Any breach by such successors would be a breach of the Contractual Arrangements. In case of a breach, Zephyrm Boda can enforce its rights against the successors.

In the event of incapacity, bankruptcy or other circumstances which may affect a Registered Shareholder's holding of Suzhou Zephyrm's equity interests, such Registered Shareholder's successor, transferee, creditor or any other person who obtains Suzhou Zephyrm's equity interests or related rights due to such event (i) shall not interfere with or impede the performance of the agreements under the Contractual Arrangements, and (ii) shall be regarded a signing party of, and be bound by, those agreements.

Conflicts of Interest

Our Company has implemented measures to protect against the potential conflicts of interest between our Company and the Registered Shareholders. Under the Voting Proxy Agreement, (i) in the event of any conflict of interest among the Registered Shareholders, Suzhou Zephyrm and Zephyrm Boda, the Registered Shareholders shall protect, and shall not harm the interest of Zephyrm Boda and our Company; and (ii) in the event that the Registered Shareholders are also the Directors or senior management of Zephyrm Boda or our Company, the Registered Shareholders shall be authorized to appoint Zephyrm Boda or its designee (excluding the Registered Shareholders who are also the Directors or senior management) to exercise all of the rights under the Voting Proxy Agreement.

Loss Sharing

Neither the agreements under the Contractual Arrangements nor PRC laws provide or require that our Company or Zephyrm Boda be obligated to share the losses of the Consolidated Affiliated Entities or provide financial assistance to the Consolidated Affiliated Entities. Further, each of the Consolidated Affiliated Entities is a separate legal entity and shall be solely liable for its own debts and losses.

Despite the foregoing, our business, financial condition and results of operations would be adversely affected if the Consolidated Affiliated Entities suffer losses given that (i) our Group conducts businesses in the PRC through the Consolidated Affiliated Entities which hold the requisite PRC licenses and approvals, and (ii) the Consolidated Affiliated Entities' financial condition and results of operations

are consolidated into the Company's financial statements under the applicable accounting principles. Therefore, the provisions in the Contractual Arrangements are tailored so as to limit, to the greatest extent possible, the potential adverse effect on Zephyrm Boda and our Company that may from any loss suffered by the Consolidated Affiliated Entities.

Liquidation

Pursuant to the Exclusive Business Cooperation Agreement, upon winding-up of any of the Consolidated Affiliated Entities, the relevant Consolidated Affiliated Entity shall, to the extent permitted by PRC laws, procure the persons recommended by the Zephyrm Boda to establish the liquidation committee of the relevant Consolidated Affiliated Entity to manage its assets.

Pursuant to the Voting Proxy Agreement, Zephyrm Boda or its designee are entitled to exercise voting rights on behalf of the Registered Shareholders/Suzhou Zephyrm upon winding-up of Suzhou Zephyrm or any of the subsidiaries of Suzhou Zephyrm. In the event of bankruptcy, liquidation, dissolution or termination of any of the Consolidated Affiliated Entities, the assets and the equity interest obtained by the Registered Shareholders/Suzhou Zephyrm shall be transferred to Zephyrm Boda at nil consideration or the lowest price permitted under PRC laws.

Insurance

The Company does not maintain an insurance policy to cover the risks relating to the Contractual Arrangements.

Confirmation of the Directors

The Directors confirm that, as of the date of this announcement, our Company had not encountered any interference or encumbrance from any PRC government authorities in operating our businesses through the Consolidated Affiliated Entities under the Contractual Arrangements.

LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

Our PRC Legal Advisers conducted an interview with officers of Beijing MOFCOM, Beijing NMPA, Guangdong MOFCOM and Zhongshan SAMR, respectively in respect of the proposed Contractual Arrangements entitling the Company to control the 100% equity interests in Suzhou Zephyrm. According to the officers interviewed, (i) no approval or filing from the authority is required for the execution of the Contractual Arrangements; and (ii) the Relevant Business falls into the scope of "prohibited" category of the Negative List 2021 and the Negative List 2024 and foreign investors are prohibited to invest in such business. Our PRC Legal Advisers are of the view that (i) Beijing NMPA (北京市藥品監督管理局) and Zhongshan SAMR (中山市市場監督管理局) are the competent government authorities for the Relevant Businesses carried out by Consolidated Affiliate Entities; (ii) and that Beijing MOFCOM (北京市商務局) and Guangdong MOFCOM (廣東省商務廳) are the competent government authorities regulating the foreign investment in Beijing and Guangdong respectively; and (iii) the Relevant Business falls into the scope of "prohibited" category of the Negative List 2021 and the Negative List 2024 and foreign investors are prohibited to invest in such business.

Based on the above, after taking reasonable actions and steps, our PRC Legal Adviser is of the opinion that:

(a) each of Zephyrm Boda and Consolidated Affiliated Entities was duly established and validly existing under the laws of their incorporation, respectively, and each of the Registered Shareholders is a legal person with full civil and legal capacity;

(b) all internal approvals and authorizations (if required) with respect to execution and performance of each of the agreements underlying the Contractual Arrangements have been obtained from Zephyrm Boda and Consolidated Affiliated Entities;

(c) the agreements underlying the Contractual Arrangements (a) are not in violation of mandatory PRC laws and regulations currently in force, and are legally binding and enforceable on the parties to such agreements, except that the dispute resolution provisions of the Contractual Arrangements regarding the remedies that may be awarded by the arbitration tribunal and the power of offshore courts (including the courts in Hong Kong and Cayman Islands) to grant interim remedies in support of the arbitration may not be recognized or enforced by PRC courts as set out in "– Other Aspects of the Contractual Arrangements – Dispute Resolution" in this section, and (b) are subject as to enforceability to applicable bankruptcy, insolvency, moratorium, reorganization and similar laws affecting creditors' rights generally and to general equity principles under PRC laws;

(d) none of the agreements underlying the Contractual Arrangements violate the mandatory provisions of the PRC Civil Code and other applicable mandatory provisions of PRC laws and administrative regulations or fall within any of the circumstances as stipulated in the PRC Civil Code which will lead such agreements as invalid in the PRC Civil Code; and

(e) the registration of the pledge of equity interest of Suzhou Zephyrm under the Holdco Equity Pledge Agreement has been completed and legally taken effect.

However, as advised by our PRC Legal Adviser, there are substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations. Accordingly, there can be no assurance that the PRC governmental authorities will not in the future take the view that is contrary to the above opinions of our PRC Legal Adviser. Our PRC Legal Adviser has further advised that if the PRC government finds that the Contractual Arrangements do not comply with the restrictions on foreign investment as to the Relevant Business, we may be subject to severe penalties, which could include:

(a) revoking the business and operating licenses of Zephyrm Boda and the Consolidated Affiliated Entities;

(b) restricting or prohibiting related party transactions between Zephyrm Boda and the Consolidated Affiliated Entities;

(c) imposing fines or other requirements with which we, Zephyrm Boda and the Consolidated Affiliated Entities may find it difficult or impossible to comply;

(d) requesting us, Zephyrm Boda and the Consolidated Affiliated Entities to restructure the relevant ownership structure or operations; and

(e) restricting or prohibiting the use of any **[REDACTED]** from the **[REDACTED]** to finance our business and operations in the PRC.

The imposition of any of these penalties could have a material adverse effect on our ability to conduct our business. For details, see "Risk Factors – Risks Relating to Contractual Arrangements" in this document.

ACCOUNTING ASPECTS OF THE CONTRACTUAL ARRANGEMENTS

According to IFRS 10–Consolidated Financial Statements, a subsidiary is an entity that is controlled by another entity (known as the parent). An investor controls an investee when it 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. Although the Company does not directly or indirectly own the Consolidated Affiliated Entities, both the Transitional Contractual Arrangements and the Contractual Arrangements enable the Company to exercise control over the Consolidated Affiliated Entities.

Under the Exclusive Business Cooperation Agreement, Suzhou Zephyrm shall pay service fees to the Zephyrm Boda in consideration of the services provided by Zephyrm Boda. Such service fees, subject to Zephyrm Boda's adjustment, are equal to total consolidated net profit of Suzhou Zephyrm (net of accumulated deficit of the Consolidated Affiliated Entities in the previous financial years (if any), costs, expenses, taxes and payments required by the applicable laws to be reserved or withheld). Zephyrm Boda may adjust the service scope and fees at its discretion. Zephyrm Boda also has the right to periodically receive or inspect the accounts of the Consolidated Affiliated Entities. Accordingly, Zephyrm Boda has the ability, at its sole discretion, to extract all of the economic benefit of Suzhou Zephyrm through the Exclusive Business Cooperation Agreement.

In addition, under the Exclusive Purchase Option Agreement and the Voting Proxy Agreement, Zephyrm Boda has absolute contractual control over the distribution of dividends or any other amounts to the equity holders of the Consolidated Affiliated Entities as Zephyrm Boda's prior written consent is required before any distribution can be made. In the event that the Registered Shareholders receive any profit distribution or dividend from the Consolidated Affiliated Entities, the Registered Shareholders must immediately pay or transfer such amount to our Company.

As a result of the Contractual Arrangements, our Company has obtained control of the Consolidated Affiliated Entities through Zephyrm Boda and, at our Company's sole discretion, is able to receive all of the economic interest returns generated by the Consolidated Affiliated Entities. Accordingly, the Consolidated Affiliated Entities' results of operations, assets and liabilities, and cash flows are consolidated into our Company's financial statements as if they were subsidiaries of our Company. For details, see Note 1 to the Accountant's Report in Appendix I to this document for the basis of consolidating the results of the Consolidated Affiliated Entities.

COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS

Our Group has adopted the following measures to ensure the effective operation of the Relevant Businesses with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

(a) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board for review and discussion;

(b) our Board will review the overall performance of and compliance the Contractual Arrangements at least once a year;

(c) our Company will disclose the overall performance of and compliance with the Contractual Arrangements in its annual reports; and

(d) our Company will engage external legal advisers or other professional advisers, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of Zephyrm Boda and the Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

DEVELOPMENT IN LEGISLATION ON FOREIGN INVESTMENT IN THE PRC

Background of the Foreign Investment Law

On March 15, 2019, the National People's Congress approved the Foreign Investment Law which became effective on January 1, 2020. On December 26, 2019, the State Council promulgated the Implementation Regulations on the Foreign Investment Law (外商投資法實施條例), which came into effect on January 1, 2020. The Foreign Investment Law, which replaced the Law on Sino-Foreign Equity Joint Ventures (中外合資經營企業法), the Law on Sino-Foreign Contractual Joint Ventures (中外合作經營企業法) and the Law on Wholly Foreign-owned Enterprises (外資企業法), becomes the legal foundation for foreign investment in the PRC. The Foreign Investment Law stipulates certain forms of foreign investment, but does not explicitly stipulate contractual arrangements as a form of foreign investment. The Implementation Regulations on the Foreign Investment Law are also silent on whether foreign investment includes contractual arrangements.

Impact and Potential Consequences of the Foreign Investment Law

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, including our Group. Considering the Foreign Investment Law and The Implementation Regulations on the Foreign Investment Law do not (i) mention concepts including "actual control" or explicitly stipulate contractual arrangements as a form of foreign investment or (ii) explicitly prohibit or restrict a foreign restricted business to be controlled by contractual arrangements in the PRC, our

PRC Legal Adviser is of the view that the possibility is relatively low that the Contractual Arrangements and the legality and validity of each of the agreements underlying the Contractual Arrangements will be materially and adversely affected by the Foreign Investment Law if there are no other PRC laws, regulations, administrative rules, normative documents or regulatory practices adopted or implemented in the future that prohibiting or restricting the operation of or affecting the legality of contractual arrangements or stipulating or interpreting contractual arrangements as a form of foreign investment.

Notwithstanding the above, the Foreign Investment Law stipulates that foreign investment includes "foreign investors invested in China through any other methods under laws, administrative regulations or provisions prescribed by the State Council" without elaboration on the meaning of "other methods". The Implementation Regulations on the Foreign Investment Law are also silent on whether foreign investment includes contractual arrangements. There are possibilities that future laws, administrative regulations or provisions prescribed by the State Council may regard contractual arrangements as a form of foreign investment, at which time it will be uncertain whether the Contractual Arrangements will be deemed to be in violation of the foreign investment restrictions and how the Contractual Arrangements will be handled.

Therefore, there is no guarantee that the Contractual Arrangements and the businesses of the Consolidated Affiliated Entities will not be materially and adversely affected in the future due to changes in PRC laws and regulations. For details, see "Risk Factors – Risks Relating to Contractual Arrangements – If the PRC government finds that the agreements that establish the structure for operating our business in China do not comply with PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe consequences and the relinquishment of our interests in the Consolidated Affiliated Entities." in this document.

FUTURE PLANS AND PROSPECTS

For details of our future plans, see "Business – Our Strategies" in this document.

USE OF [REDACTED]

We estimate that we will receive **[REDACTED]** from the **[REDACTED]** of approximately HK$**[REDACTED]**, after deducting **[REDACTED]** commissions, fees and other estimated expenses paid and payable by us in connection with the **[REDACTED]**, assuming the **[REDACTED]** being not exercised and an **[REDACTED]** of HK$**[REDACTED]** per Share (being the mid-point of the indicative **[REDACTED]** range stated in this document). If the **[REDACTED]** is set at HK$**[REDACTED]** per Share (being the high-end of the indicative **[REDACTED]** range), the **[REDACTED]** from the **[REDACTED]** will increase by approximately HK$**[REDACTED]**. If the **[REDACTED]** is set at HK$**[REDACTED]** per Share (being the low-end of the indicative **[REDACTED]** range), the **[REDACTED]** from the **[REDACTED]** will decrease by approximately HK$**[REDACTED]**.

Assuming the **[REDACTED]** is set at the mid-point of the indicative **[REDACTED]** range and that the **[REDACTED]** is not exercised, we intend to use the **[REDACTED]** from the **[REDACTED]** for the following purposes:

(i) **[REDACTED]**%, or approximately HK$**[REDACTED]**, will be used to fund the research, development and registration of our Core Product ZH901:

  a. **[REDACTED]**%, or approximately HK$**[REDACTED]**, will be used for the clinical development of ZH901 for the treatment of AE-ILD, aGVHD, meniscus injuries and ARDS:

    i. **[REDACTED]**%, or approximately HK$**[REDACTED]**, will be used to fund the clinical and registrational costs of ZH901 for the treatment of AE-ILD and milestone payment to our collaboration partner for certain technologies used for such clinical development efforts. We are conducting the Phase II clinical trial of ZH901 in patients with AE-ILD and anticipate completing the patient enrollment of such trial by the first half of 2025. In addition, we intend to engage with the CDE and initiate a registrational Phase III clinical trial for AE-ILD in the second half of 2025. See "Business – Core Product: ZH901 – Potential First-in-Kind hESC-Derived M Cell Therapy Product Candidate – Clinical Development Plan" in this document;

    ii. **[REDACTED]**%, or approximately HK$**[REDACTED]**, will be used to fund the clinical and registrational costs of ZH901 for the treatment of aGVHD and milestone payment to our collaboration partner for certain technologies used for such clinical development efforts. We are conducting the Phase II clinical trial of ZH901 in patients with aGVHD. We plan to seek regulatory clearance from

the CDE, and initiate a registrational Phase III trial by 2025. See "Business – Core Product: ZH901 – Potential First-in-Kind hESC-Derived M Cell Therapy Product Candidate – Clinical Development Plan" in this document;

iii. **[REDACTED]**%, or approximately HK$**[REDACTED]**, will be used to fund the clinical and registrational costs of ZH901 for the treatment of meniscus injuries and milestone payment to our collaboration partner for certain technologies used for such clinical development efforts. We are conducting the Phase I/II clinical trial of ZH901 in patients with meniscus injuries. We plan to engage with the CDE for regulatory clearance to conduct a Phase II/III clinical trial of ZH901 and initiate the trial in 2025. See "Business – Core Product: ZH901 – Potential First-in-Kind hESC-Derived M Cell Therapy Product Candidate – Clinical Development Plan" in this document; and

iv. **[REDACTED]**%, or approximately HK$**[REDACTED]**, will be used to fund the clinical and registrational costs of ZH901 for the treatment of ARDS and milestone payment to our collaboration partner for certain technologies used for such clinical development efforts. We are conducting the Phase II clinical trial of ZH901 in patients with ARDS and anticipate completing the trial in 2026. See "Business – Core Product: ZH901 – Potential First-in-Kind hESC-Derived M Cell Therapy Product Candidate – Clinical Development Plan" in this document.

b. **[REDACTED]**%, or approximately HK$**[REDACTED]**, will be used to fund the pre-clinical research and evaluation for other newly developed indications of ZH901, such as primary ovarian insufficiency, thin endometrium, inflammatory bowel disease, refractory wound, psoriasis, lupus nephritis and cachexia. See "Business – Our Strategies – Rapidly Advance the Clinical Development of ZH901, Our M Cell Therapy Product, as Potentially First-in-Kind PSC-Derived Cell Therapy Product" and "Business – Our Strategies – Expand Indication Coverage of M Cell Therapy Product" in this document.

(ii) **[REDACTED]**%, or approximately HK$**[REDACTED]**, will be used to fund the research and development of our products other than ZH901:

a. **[REDACTED]**%, or approximately HK$**[REDACTED]**, will be used to fund the pre-clinical research of ZH902 for the treatment of dry AMD, as well as future clinical development and related technologies upgrading. We are currently conducting IND-enabling studies on ZH902 for the treatment of dry AMD and anticipate that the IND application for dry AMD will be submitted in 2026. See "Business – Our Strategies – Continue to explore therapeutic potentials of other functional cells in our existing pipeline" in this document;

b. **[REDACTED]**%, or approximately HK$**[REDACTED]**, will be used to fund the pre-clinical research of ZH903 for the treatment of Parkinson's disease, as well as future clinical development and related technologies upgrading. We are currently conducting IIT studies on ZH903 for the treatment of Parkinson's disease and anticipate that the IND application for ZH903 will be submitted in 2026. See "Business – Our Strategies – Continue to explore therapeutic potentials of other functional cells in our existing pipeline" in this document;

c. **[REDACTED]**%, or approximately HK$**[REDACTED]**, will be used to fund the pre-clinical research of ZH906 for the treatment of corneal endothelium decompensation, as well as future clinical development and related technologies upgrading. We are currently conducting the pre-clinical studies on ZH906 for the treatment of corneal endothelium decompensation and anticipate to further improve our differentiation pathway technologies and investigate the *in vivo* safety and efficacy of ZH906 for treatment of corneal endothelium decompensation. See "Business – Our Strategies – Continue to explore therapeutic potentials of other functional cells in our existing pipeline" in this document; and

d. **[REDACTED]**%, or approximately HK$**[REDACTED]**, will be used to fund the pre-clinical research of products beyond our current pipeline, as well as future clinical development. We are currently exploring the respective differentiation path of Purkinje cells and pancreatic β cells via our PROF platform and plan to conduct targeted research and development for cell therapy products derived from these two functional cells. See "Business – Our Strategies – Follow an indication-oriented approach to explore therapeutic potentials of functional cells beyond our current pipeline" in this document.

(iii) **[REDACTED]**%, or approximately HK$**[REDACTED]** million, will be used to fund the construction of our Zhongshan Facility and the establishment of commercialization capability:

a. **[REDACTED]**%, or approximately HK$**[REDACTED]**, will be used for the construction of our Zhongshan Facility to support commercial production. Under our construction plan, Zhongshan Facility will have a total GFA of approximately 150,000 sq.m. with an anticipated annual production capacity of approximately 500,000 injectable cell therapy products. We anticipate to commence the construction by the end of 2024 and complete the construction in the second half of 2026. See "Business – Manufacturing – Manufacturing Facilities – Zhongshan Facility" in this document; and

b. **[REDACTED]**%, or approximately HK$**[REDACTED]**, will be used for the establishment of commercialization capability. We plan to build up a dedicated sales and marketing team to cover Class III Grade A hospitals in tier one cities in China and Class III Grade A hospitals in second-tier cities in China with characteristic departments related to the target indications of our products and sufficient patient

demand. In addition, we plan to promote awareness of our products as quality PSC-derived therapeutic products through various marketing activities, such as attending more conferences on stem cell-derived cell therapy. See "Business – Commercialization" in this document.

(iv) **[REDACTED]**%, or approximately HK$**[REDACTED]**, 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 mid-point 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$**[REDACTED]**, assuming an **[REDACTED]** of HK$**[REDACTED]** per Share (being the mid-point 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 applied to the above purposes and to the extent permitted by applicable law and regulations, we will only deposit the **[REDACTED]** in short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions (as defined under the Securities and Futures Ordinance or the applicable laws and regulations in other jurisdictions).

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

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STRUCTURE OF THE [REDACTED]

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HOW TO APPLY FOR [REDACTED]

[REDACTED]

The following is the text of a report set out on pages [I-1] to [I-3], received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

[Draft]

[Letterhead of PricewaterhouseCoopers]

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF ZEPHYRM BIOSCIENCE LIMITED AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED

Introduction

We report on the historical financial information of Zephyrm Bioscience Limited (the "**Company**"), its subsidiaries and entities controlled by the Company through contractual arrangements (together, the "**Group**") set out on pages [I-4] to [I-[•]], which comprises the combined statements of financial position as at 31 December 2022 and 2023 and 30 June 2024, the company's statements of financial position as at 31 December 2022 and 2023 and 30 June 2024, and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the years ended 31 December 2022 and 2023 and the six months ended 30 June 2024 (the "**Track Record Period**") 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-[•]] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated **[REDACTED]** (the "**Document**") in connection with the **[REDACTED]** of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment*

Circulars issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at 31 December 2022 and 2023 and 30 June 2024 and the combined financial position of the Group as at 31 December 2022 and 2023 and 30 June 2024 and of its combined financial performance and its combined cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the combined statement of profit or loss and other comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the six months ended 30 June 2023 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The directors of the Company are responsible for the presentation and preparation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the International Auditing and Assurance Standards Board ("**IAASB**"). 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 International 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 Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "LISTING RULES") AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page [I-4] have been made.

Dividends

We refer to note [34] to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

[PricewaterhouseCoopers]
Certified Public Accountants

Hong Kong
[Date]

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (the "**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand of RMB (RMB'000) except when otherwise indicated.

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December		Six months ended 30 June	
		2022	2023	2023	2024
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Administrative expenses	6	(23,791)	(32,306)	(18,374)	(143,077)
Research and development expenses	6	(66,311)	(102,756)	(34,138)	(58,515)
Other income – net	8	1,533	2,260	57	70
Other losses – net	9	(81,007)	(60,526)	(22,895)	(28,621)
Operating loss		(169,576)	(193,328)	(75,350)	(230,143)
Finance income	10	19	661	337	216
Finance costs	10	(3,207)	(3,350)	(1,314)	(6,658)
Finance costs – net		(3,188)	(2,689)	(977)	(6,442)
Loss before income tax		(172,764)	(196,017)	(76,327)	(236,585)
Income tax expense	11	–	–	–	–
Loss for the year/period		(172,764)	(196,017)	(76,327)	(236,585)
Other comprehensive loss		–	–	–	–
Total comprehensive loss		(172,764)	(196,017)	(76,327)	(236,585)
Loss and total comprehensive loss for the year/period attributable to owners of the Company		(172,764)	(196,017)	(76,327)	(236,585)
Loss per share attributable to owners of the Company					
Basic and diluted loss per share *(in RMB)*	12	N/A	N/A	N/A	N/A

COMBINED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		As at 30 June
		2022	2023	2024
	Note	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS				
Non-current assets				
Property, plant and equipment	13	4,677	3,466	6,187
Right-of-use assets	14(a)	4,950	25,796	87,131
Intangible assets	15	77,846	243,364	236,665
Other receivables, deposits and prepayments	18	782	2,144	5,539
Total non-current assets		88,255	274,770	335,522
Current assets				
Inventories	17	3,383	2,483	1,894
Other receivables, deposits and prepayments	18	6,204	12,572	30,141
Cash and cash equivalents	19	18,808	166,742	78,264
Total current assets		28,395	181,797	110,299
Total assets		116,650	456,567	445,821
EQUITY				
Share capital		–	–	–
Combined capital	20	4,145	4,145	20,545
Other reserves	21	6,024	6,024	135,204
Accumulated losses		(378,804)	(574,821)	(811,406)
Deficit on total equity attributable to owners of the Company		(368,635)	(564,652)	(655,657)

		As at 31 December		As at 30 June
		2022	2023	2024
	Note	*RMB'000*	*RMB'000*	*RMB'000*
LIABILITIES				
Non-current liabilities				
Lease liabilities	14(b)	1,702	19,701	20,727
Long-term payables	28	–	179,963	170,706
Total non-current liabilities		1,702	199,664	191,433
Current liabilities				
Trade payables	23	12,179	5,241	13,013
Other payables and accruals	24	83,181	40,531	57,077
Deferred income	22	–	2,861	2,875
Lease liabilities	14(b)	3,224	5,520	6,137
Borrowings	25	24,000	27,879	30,000
Financial instruments with preferred rights	27	339,453	739,523	800,943
Convertible loan	29	21,546	–	–
Total current liabilities		483,583	821,555	910,045
Total liabilities		485,285	1,021,219	1,101,478
Deficit on total equity and liabilities		116,650	456,567	445,821

COMPANY'S STATEMENTS OF FINANCIAL POSITION

		As at 31 December		As at 30 June
		2022	2023	2024
	Note	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS				
Current assets				
Cash and cash equivalents	19	–	8	8
Total current assets		–	8	8
Total assets		–	8	8
EQUITY				
Total equity		–	–	–
LIABILITIES				
Current liabilities				
Other payables and accruals		–	8	8
Total current liabilities		–	8	8
Total liabilities		–	8	8
Total equity and liabilities		–	8	8

COMBINED STATEMENTS OF CHANGES IN EQUITY

		Attributable to owners of the Company				
		Share capital	Combined capital	Other reserves	Accumulated losses	Deficit on total equity
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2022		–	3,600	6,024	(206,040)	(196,416)
Comprehensive loss						
– Loss for the year		–	–	–	(172,764)	(172,764)
Transactions with owners in their capacity as owners:						
– Capital injection from owner		–	545	–	–	545
Balance at 31 December 2022		–	4,145	6,024	(378,804)	(368,635)
Balance at 1 January 2023		–	4,145	6,024	(378,804)	(368,635)
Comprehensive loss						
– Loss for the year		–	–	–	(196,017)	(196,017)
Balance at 31 December 2023		–	4,145	6,024	(574,821)	(564,652)

		Attributable to owners of the Company				
		Share capital	Combined capital	Other reserves	Accumulated losses	Deficit on total equity
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
(Unaudited)						
Balance at 1 January 2023		–	4,145	6,024	(378,804)	(368,635)
Comprehensive loss						
– Loss for the period		–	–	–	(76,327)	(76,327)
Balance at 30 June 2023		–	4,145	6,024	(455,131)	(444,962)
Balance at 1 January 2024		–	4,145	6,024	(574,821)	(564,652)
Comprehensive loss						
– Loss for the period		–	–	–	(236,585)	(236,585)
Transactions with owners in their capacity as owners:						
– Share-based compensation	26	–	–	129,180	–	129,180
– Capital increase of Suzhou Zephyrm	18	–	16,400	–	–	16,400
Balance at 30 June 2024		–	20,545	135,204	(811,406)	(655,657)

COMBINED STATEMENTS OF CASH FLOWS

		Year ended 31 December		Six months ended 30 June	
		2022	2023	2023	2024
	Note	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Cash flows from operating activities					
Cash used in operations	30(a)	(58,886)	(101,450)	(54,397)	(48,955)
Proceeds from government grants		–	5,016	5,016	–
Net cash used in operating activities		(58,886)	(96,434)	(49,381)	(48,955)
Cash flows from investing activities					
Payments for property, plant and equipment		(1,749)	(2,654)	(694)	(6,386)
Payments for land use right		–	–	–	(60,255)
Proceeds from disposal of property, plant and equipment		1	3	–	–
Net cash used in investing activities		(1,748)	(2,651)	(694)	(66,641)
Cash flows from financing activities					
Capital contribution from preferred shareholders and registered capital increase		21,846	309,500	121,508	32,800
Proceeds from borrowing from related parties		27,950	–	–	–
Proceeds from borrowing from third parties		48,800	–	–	–
Proceeds from bank borrowings		17,000	30,000	–	10,000
Proceeds from issuance of convertible loan		20,000	–	–	–
Payments for licensed-in know-how		–	(25,000)	–	–
Repayment of bank borrowings		(8,000)	(26,121)	(5,750)	(7,879)
Repayment of borrowings to third parties		(45,644)	(6,440)	(1,327)	(3,680)
Repayment of borrowings from related parties		(2,418)	(26,498)	(17,885)	–
Interest paid to banks, related and third parties		(1,746)	(2,515)	(585)	(790)
Payment of lease liabilities		(4,504)	(5,907)	(2,218)	(2,896)
Payments for **[REDACTED]** expenses		**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Net cash from financing activities		73,284	247,019	93,743	27,118
Net increase/(decrease) in cash and cash equivalents		12,650	147,934	43,668	(88,478)
Cash and cash equivalents at beginning of the year/period		6,158	18,808	18,808	166,742
Cash and cash equivalents at the end of the year/period		18,808	166,742	62,476	78,264

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION, REORGANIZATION AND BASIS OF PRESENTATION

1.1 General information

Zephyrm Bioscience Limited (the "**Company**") was incorporated in the Cayman Islands on 15 September 2021 as an exempted company with limited liability under the Companies Law (Cap.22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is the Suite #4-210, Governors Square, 23 Lime Tree Bay Avenue, PO Box 32311, Grand Cayman KY1-1209, Cayman Islands.

The Company is an investment holding company. During the years ended 31 December 2022 and 2023 and the six months ended 30 June 2024 (the "**Track Record Period**"), the Company, its subsidiaries and entities which controlled through a series of contractual arrangements (the "**Contractual Arrangements**") (together referred as the "**Group**"), are principally engaged in development of innovative cell therapies derived from pluripotent stem cells ("**PSCs**") for the treatment of a variety of medical conditions in the People's Republic of China (the "**PRC**") (the "**[REDACTED] Business**").

As of the date of this Historical Financial Information, Ms. JIN Yun (金韵), Xiangjing Phase I Holding Limited, Zephyrm Tongchuang Phase I Holding Limited, Xiangjing Phase II Holding Limited, Zephyrm Tongchuang Phase II Holding Limited, JIN FAMILY LIMITED and Sure Trade International Limited are regarded as a group of Controlling Shareholders (the "**Controlling Shareholders**").

1.2 Reorganization

Prior to the incorporation of the Company and the completion of the reorganization as described below (the "**Reorganization**"), the **[REDACTED]** Business was carried out by Suzhou Zephyrm Biotechnology Limited (蘇州澤輝生物科技有限公司, "**Suzhou Zephyrm**") and its subsidiaries, mainly including Beijing Zephyrm Biotechnology Limited (北京澤輝辰星生物科技有限公司, "**Beijing Zephyrm**") and Guangdong Zephyrm Biotechnology Limited (廣東澤輝辰星生物醫藥有限公司, "**Guangdong Zephyrm**") (together with Beijing Zephyrm Yanqi Bioscience Limited collectively referred as the "**Consolidated Affiliated Entities**"). After the Reorganization, the Consolidated Affiliated Entities were controlled wholly through the Contractual Arrangements by the Company.

Suzhou Zephyrm was established as a limited liability company under the laws of PRC in December 2017 with a registered capital of RMB20 million wholly-owned by Mr. KONG Xiang (孔翔), on entrustment of Ms. JIN Yun. Upon completion of several rounds equity transfer, Suzhou Zephyrm was owned as to 65% by Beijing Xiangjing Technology Co., Ltd. (北京祥景科創科技有限公司) ("**Beijing Xiangjing**", a company wholly controlled by Ms. JIN Yun), 30% by Beijing Zephyrm Tongchuang Technology Center (Limited Partnership) (北京澤輝同創科技中心(有限合夥)) ("**Zephyrm Tongchuang**", which was intended to be the share incentive platform of the Group, whose the then general partner was Mr. KONG Xiang, holding such interest on behalf of Ms. JIN Yun) and 5% by Shenzhen Huijin Yonglong Asset Management Co., Ltd. (深圳匯金永隆資本管理有限公司) ("**Shenzhen Yonglong**", a company wholly-owned by Mr. DONG Xin (董鑫), the chief financial officer and executive director), respectively.

In September 2019, Shenzhen Yonglong subscribed for an increase the registered capital of Suzhou Zephyrm of RMB545,450 at the consideration of RMB545,450.

The Group has completed several rounds financing through issuing financial instruments with preferred rights since its establishment, certain financing activities milestones of the Group was set out as below.

Series Angel

Convertible loan financing during 2018 – 2019

In November 2018, Beijing Zephyrm, Suzhou Zephyrm and Shandong Huayi Group Ltd. (山東華藝集團有限公司) ("**Shandong Huayi**") entered into a convertible loan agreement, pursuant to which the loan of RMB50 million owed by Suzhou Zephyrm to Shandong Huayi was converted to be investment in Suzhou Zephyrm by Shandong Huayi or its' designated investment entity at the sole discretion of Shandong Huayi if the conversion conditions are met. In August 2019, Shandong Haoyang Biological Engineering Co., Ltd. (山東顥楊生物工程有限公司) ("**Shandong Haoyang**"), as the designated investment entity of Shandong Huayi, subscribed the registered capital of Suzhou Zephyrm of RMB1,272,728 at the consideration of RMB50 million.

Other Angel Round Financing

From May 2019 to September 2019, Suzhou Zephyrm had further underwent several capital increases (the "**Other Angel Round Financing**") contributed by certain investors (the "**Other Angel Round Financing Investors**") which subscribed for the registered capital of Suzhou Zephyrm of RMB3,636,367 at an aggregated consideration of RMB100 million.

Shandong Haoyan and the Other Angel Round Financing Investors were collectively referred as the "Angel Round Investors".

Series A

Pursuant to a share subscription agreement dated December 2020 entered into by and among, the then shareholders of Suzhou Zephyrm, certain investors referred as the "**Series A Investors**" in Note 27 and Suzhou Zephyrm, the Series A Investors subscribed for a total increase in the registered capital of Suzhou Zephyrm of RMB2,715,152 at an aggregated consideration of approximately RMB160 million (the "**Series A Financing**").

Series B

Convertible loan financing during 2022 – 2023

Pursuant to a convertible loan agreement dated December 2022, Beijing Yingshi Phase II Biotechnology Development Center (Limited Partnership) (北京贏實二期生物科技合夥企業(有限合夥)) ("**Beijing Yingshi Phase II**") and Jiaxing Chenyue Equity Investment Partnership (Limited Partnership) (嘉興宸玥股權投資合夥企業(有限合夥)) ("**Jiaxing Chenyue**") have rights to convert the loans provided by them into investment in Suzhou Zephyrm at the sole discretion of them if the conversion conditions are met.

In 2023, Beijing Yingshi Phase II and Jiaxing Chenyue converted its loan to Suzhou Zephyrm of RMB20 million and RMB50 million into the registered capital of Suzhou Zephyrm of RMB321,022 and RMB802,555, respectively.

Other Series B Financing

Pursuant to share subscription agreements dated December 2022 entered into by and among, the then shareholders of Suzhou Zephyrm, two certain investors and Suzhou Zephyrm, the two investors subscribed for the registered capital of Suzhou Zephyrm of RMB1,502,220 at a total consideration of RMB100 million.

As part of the Series B Financing, pursuant to a share subscription agreement dated September 2023 entered into by and between, the then shareholders of Suzhou Zephyrm, certain investors and Suzhou Zephyrm, certain investors subscribed the registered capital of Suzhou Zephyrm of RMB2,824,173 at a total consideration of approximately RMB188 million.

As part of the Series B Financing, pursuant to a share subscription agreement dated March 2024 entered into by and among the then shareholders of Suzhou Zephyrm, one investor and Suzhou Zephyrm, Shaanxi Photon Strong-Chain Innovative Venture Capital Investment Partnership (Limited Partnership) (陝西光子強鏈創新創業投資合夥企業(有限合夥)) ("**Shaanxi Photon Strong-Chain**") subscribed for the registered capital of Suzhou Zephyrm RMB300,444 at a total consideration of approximately RMB20 million.

All of the investors in convertible loan financing during 2022 – 2023 and the Other Series B Financing hereafter collectively referred as the "Series B Investors".

Share transfers in 2024

In March 2024, one of Series A Investors, Xi'an Jinqing Entrepreneur Management Partnership (Limited Partnership) (西安錦慶企業管理合夥企業(有限合夥)) ("**Xi'an Jinqing**"), transferred all its subscribed registered capital of Suzhou Zephyrm to Shaanxi Photon Strong-Chain at consideration of RMB10,527,293. On the same date, one of the Series B Investors, Jiaxing Chenyue, transferred its subscribed registered capital of RMB300,444 to Beijing Xietai Management Partnership (Limited Partnership) (北京攜泰企業管理合夥企業(有限合夥)) ("**Beijing Xietai**") at the total consideration of RMB20 million.

In preparation for the **[REDACTED]** of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited (the "**[REDACTED]**"), the Group underwent a reorganization to streamline its shareholding structure.

(i) Offshore Reorganization

In September 2021, the Company was incorporated in the Cayman Islands. The initial authorized capital of the Company was US$50,000 divided into 500,000,000 ordinary shares with a par value of US$0.0001 each share. Upon incorporation, one share was allotted and issued to Osiris International Cayman Limited and for the purpose of facilitating the offshore incorporation procedure, it transferred the one share to Zephyrm Holding Limited, a company which was wholly-owned by Dr. Yu Alex ZHANG.

On 4 July 2024, the then shareholder of the Company passed an ordinary resolution to approve share subdivision, pursuant to which, every issued and unissued ordinary share of the Company with par value of US$0.0001 each was subdivided into 1,000,000,000 ordinary shares of with par value of US$0.00005 each. The shareholding percentages of the then shareholder remained unchanged after the share subdivision.

On 29 September 2024, the Company repurchased the two shares held by Zephyrm Holding Limited. On 29 September 2024, the Company allotted and issued an aggregate of 145,867,544 ordinary shares, 34,853,409 Series Angel Preferred Shares, 19,276,824 Series A Preferred Shares, and 40,826,497 Series B Preferred Shares to the then shareholders of Suzhou Zephyrm or their respective designated entities in order to mirror their respective shareholding in Suzhou Zephyrm at par value per share.

(ii) Entering into the Contractual Arrangements

The Group current operates the **[REDACTED]** Business through the Consolidated Affiliated Entities as PRC laws currently prohibit foreign ownership of pluripotent stem cells ("**PSC**")-derived cell therapy service providers except for foreign-invested enterprises which are allowed to engage in the development and application of technologies relating to human stem cells under the Circular on Launching the Pilot Program for Expanding the Opening-up in the Medical Sector (商務部、國家衛生健康委、國家藥監局關於在醫療領域開展擴大開放

試點工作的通知) (the "**Pilot Circular**"). As a result of the restrictions imposed by PRC laws, the Company is unable to own or hold any direct equity interest in the Consolidated Affiliated Entities. In order to enable certain foreign companies to make investments into these businesses of the Group, the Company controls certain controlled Consolidated Affiliated Entities through Contractual Arrangements. In September 2024, a wholly owned subsidiary of the Company, Beijing Zephyrm Boda Bioscience Limited ("**Zephyrm Boda**") had entered into a series of contractual arrangements (the "**Contractual Arrangements**") with Suzhou Zephyrm and its registered shareholders, which enable Zephyrm Boda and the Group to:

- govern the financial and operating policies of Suzhou Zephyrm and its subsidiaries;
- exercise shareholders' voting rights of Suzhou Zephyrm;
- receive substantially all of the economic interest returns generated by Suzhou Zephyrm and its subsidiaries in consideration for the business support, technical and consulting services provided by Zephyrm Boda;
- obtain an irrevocable and exclusive right to purchase all or part of the equity interests in Suzhou Zephyrm from its respective equity holders at a minimum purchase price. Zephyrm Boda may exercise such options at any time until it has acquired all equity interests of Suzhou Zephyrm; and
- obtain a pledge over the entire equity interests of Suzhou Zephyrm from its respective equity holders as collateral security for all of Suzhou Zephyrm's payments due to Zephyrm Boda and to secure performance of Suzhou Zephyrm's obligation under the Contractual Arrangements.

As a result of the Contractual Arrangements, the Group has rights to exercise power over Suzhou Zephyrm and its subsidiaries, receives variable returns from its involvement in Suzhou Zephyrm and its subsidiaries, has the ability to affect those returns through its power over Suzhou Zephyrm and its subsidiaries and is considered to control Suzhou Zephyrm and its subsidiaries. Consequently, the Company regards Suzhou Zephyrm and its subsidiaries as controlled structured entities and consolidated the assets, liabilities and results of operations of Suzhou Zephyrm and its subsidiaries in the consolidated financial information of the Group.

Nevertheless, the Contractual Arrangements may not be as effective as direct legal ownership in providing the Company or its' overseas subsidiaries with direct control over Suzhou Zephyrm and its subsidiaries. Uncertainties presented by the legal system in PRC could impede the Group's beneficiary rights of the results, assets and liabilities of Suzhou Zephyrm and its subsidiaries. The directors of the Company, based on the advice of its legal counsel, consider that the Contractual Arrangements among Zephyrm Boda, Suzhou Zephyrm and its registered shareholders are in compliance with the relevant laws and regulations in PRC and are legally binding and enforceable.

Subsidiaries and consolidated affiliated entities

During the Track Record Period and as at the date of this Historical Financial Information, the Company had direct or indirect interests in the following wholly-owned subsidiaries or Consolidated Affiliated Entities, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name of entity	Place and date of incorporation/ establishment	Registered/ Issued capital	Attributable equity interest of the Group				Principal activities	*Notes*
			31 December 2022	31 December 2023	30 June 2024	As at the date of this Historical Financial Information		
Subsidiaries:								
Zephyrm Bioscience (BVI) Limited	British Virgin Island 16 September 2021	USD50,000	100%	100%	100%	100%	Investment holding	*(a)*
Zephyrm Bioscience (HongKong) Limited	Hong Kong, 29 September 2021	USD1	100%	100%	100%	100%	Investment holding	*(a)*
Beijing Zephyrm Boda Bioscience Limited	The PRC, 23 July 2024	USD10,000,000	–	–	–	100%	Technical development, technical services and consulting, medical research and development	*(a)*
Shanghai Zephyrm Tiancheng Bioscience Limited	The PRC, 24 July 2024	USD10,000,000	–	–	–	100%	Technical development, technical services and consulting, medical research and development	*(a)*
Consolidated Affiliated Entities:								
Suzhou Zephyrm	The PRC, 26 December 2017	RMB33,920,111	100%	100%	100%	100%	Research and development, manufacturing and sales of innovative cell therapies derived from pluripotent stem cells	*(b)*
Beijing Zephyrm	The PRC, 15 November 2018	RMB550,000,000	100%	100%	100%	100%	Research and development, manufacturing and sales of innovative cell therapies derived from pluripotent stem cells	*(b)*
Guangdong Zephyrm	The PRC, 12 October 2023	RMB100,000,000	–	100%	100%	100%	Research and development, manufacturing and sales of innovative cell therapies derived from pluripotent stem cells	*(b)*
Beijing Zephyrm Yanqi Bioscience Limited	The PRC, 4 July 2024	RMB10,000,000	–	–	–	100%	Research and development, manufacturing and sales of innovative cell therapies derived from pluripotent stem cells	*(a)*

(a) No statutory audited financial statements were issued for these companies as they were newly incorporated or not required to issue audited financial statements under statutory requirements of their respective places of incorporation.

(b) The statutory financial statements of Suzhou Zephyrm and Beijing Zephyrm for the year ended 31 December 2022 were audited by 北京智富會計師事務所(普通合夥). The statutory financial statement of Beijing Zephyrm and Guangdong Zephyrm for the year ended 31 December 2023 were audited by PricewaterhouseCoopers Zhong Tian LLP, Beijing Branch, and as of the date of the Historical Financial Information, the statutory financial statements of Suzhou Zephyrm for the year ended 31 December 2023 has not yet been audited.

1.3 Basis of presentation

During the Track Record Period, immediately prior to and after the Reorganization, the **[REDACTED]** Business is operated by Suzhou Zephyrm and its subsidiaries controlled by the Controlling Shareholder. To rationalize the corporate structure in preparation of the Hong Kong **[REDACTED]** and the **[REDACTED]** of the Company's shares (collectively the "**[REDACTED]**"), the Group underwent the Reorganization as detailed in the section headed "Reorganization" in Note 1.2. Pursuant to the Reorganization, Suzhou Zephyrm and its subsidiaries and the **[REDACTED]** Business are transferred to the Company or controlled by the Group through Contractual Arrangements. The Company has not been involved in any other business prior to the Reorganization and do not meet the definition of a business. The Reorganization is merely a recapitalization of the **[REDACTED]** Business with no change in management and the owners of the **[REDACTED]** Business. Accordingly, the Group resulting from the Reorganization is regarded as a continuation of the **[REDACTED]** Business under Suzhou Zephyrm and, for the purpose of this report, the Historical Financial Information has been prepared and presented as a continuation of the combined financial information of Suzhou Zephyrm and its subsidiaries.

The Historical Financial Information has been prepared by including the historical financial information of the companies engaged in the **[REDACTED]** Business, as if the current group structure had been in existence throughout the periods presented, or since the date when the combining companies first came under the control of the Group, whichever is a shorter period.

2 BASIS OF PREPARATION

(a) Compliance with IFRS Accounting Standards and HKCO

The Historical Financial Information of the Group have been prepared in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board ("**IASB**"), and disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622) ("**HKCO**").

IFRS Accounting Standards comprise the following authoritative literature:

- IFRS Accounting Standards;
- IAS Standards; and
- Interpretations developed by the IFRS Interpretations Committee ("**IFRIC Interpretations**") or its predecessor body, the Standing Interpretations Committee ("**SIC Interpretations**").

The preparation of the Historical Financial Information in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

As of 31 December 2022 and 2023 and 30 June 2024, the Group has deficit on its total equity of approximately RMB368,635,000, RMB564,652,000 and RMB655,657,000, respectively, and the net current liabilities amounted to approximately RMB455,188,000, RMB639,758,000 and RMB799,746,000, respectively.

In addition, the Group has incurred net loss of approximately RMB172,764,000, RMB196,017,000 and RMB236,585,000 for the years ended 31 December 2022 and 2023 and the six months ended 30 June 2024, respectively, and also has incurred net operating cash outflows of approximately RMB58,886,000, RMB96,434,000 and RMB48,955,000 for the respective years/periods.

Historically, the Group has relied principally on the capital contributions from shareholders and preferred shareholders (including the registered capital increases and contribution from several round financing activities as described in Note 1.2), borrowings from banks and related parties to fund its operations and business development.

The above circumstances indicate that there are events and conditions that may cast significant doubt on the Group's capability of continuing as a going concern. In view of such circumstances, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient funds to fulfill its financial obligations and continue as a going concern. The Group has formulated the following plans and measures to mitigate the liquidity pressure and to improve its cash flows:

– each of the Angel, Series A and B Investors has agreed that they will not require the Company to redeem their respective preferred shares as the redemption right was terminated before the date of the first submission of the **[REDACTED]** application of the Company to the Stock Exchange.

– the Group has received confirmations from 4 shareholders and their related parties which confirmed their intention to provide financial support to the Group with an aggregated amount of RMB280,000,000;

– the Group has received confirmations from 2 directors (Dr. Yu Alex Zhang and Mr. Dong Xin) who confirmed their intention to provide financial support to the Group with an aggregated amount of RMB20,000,000;

– the Group will continue to maintain good cooperative relationships with banks and other financial institutions to renew or secure new borrowings when needed. The Group [is in process of obtaining] new bank facilities of RMB5,000,000 after 30 June 2024;

– the Group will continue to manage its capital expenditures in line with its operating activities and financing activities in a robust manner.

Management of the Group has prepared a cash flow projection covering not less than 12 months from 30 June 2024. The cash flow projection has taken into account the anticipated cash flows to be generated by the Group, the available financing resources and the financial support from abovementioned shareholders/directors during the projection period. The directors of the Company, after making due enquiries and considering the basis of management's projection described above, believe that the Group's current cash and cash equivalents and the anticipated cash flows from future operations and financing activities, together with funding from abovementioned shareholders/directors that is available when needed under the financial support, will be sufficient so as to enable the Group to meet its anticipated working capital requirements, capital expenditure requirements and to repay its liabilities for the next twelve months from the date of issuance of the Historical Financial Information.

Consequently, the Historical Financial Information has been prepared on a going concern basis, which contemplates the settlement of liabilities in the normal course of business.

(b) Historical cost convention

The Historical Financial Information have been prepared on a historical cost basis, except for certain financial liabilities which were measured at fair value.

(c) New and amended standards adopted by the Group

All effective standards, amendments to standards and interpretations, which are mandatory for the financial year beginning on or after 1 January 2024, are consistently applied to the Group throughout the Track Record Period.

(d) New and amended standards not yet adopted

The following new or amended accounting standards have been published that are not mandatory for the reporting periods ended 30 June 2024 and have not been early adopted by the Group:

	New standards, amendments and annual improvements	Effective for annual periods beginning on or after
Amendments to IAS 21	Lack of Exchangeability	1 January 2025
Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
Annual improvement project	Annual improvement to IFRS Accounting Standards – volume II	1 January 2026
IFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19	Subsidiaries without Public Accountability Disclosures	1 January 2027
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group has already commenced an assessment of the impact of these new or amended standards and annual improvement. According to the preliminary assessment made by the directors of the Company, no significant impact on the financial performance and position of the Group is expected when they become effective.

3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the management of the Group. The Group currently does not use any derivative financial instruments to hedge certain risk exposure.

3.1 Financial risk factors

(a) Market Risk

(i) Foreign exchange risk

Foreign currency risk is the risk that the value of a financial instrument fluctuates because of the change in foreign exchange rates.

The Group mainly operates in the PRC with most of the transactions settled in RMB, the Group determined to present the Historical Financial Information in RMB. The Company is purely investment holding company and its presentation and functional currency is also RMB. The Group is not exposed to foreign exchange risk as there are no significant transactions, financial assets or liabilities of the Group are denominated in foreign currencies.

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk primarily arose from borrowings with fixed rates from banks, related parties or third parties (details of which has been disclosed in Notes 24, 25 and 31), interest-bearing cash and cash equivalents, payables to Strategic Collaborators as disclosed in Notes 24 and 28, and lease liabilities. Financial assets/liabilities with variable interest rate expose the Group to cash flow interest-rate risk and financial assets/liabilities with fixed interest rate expose the Group to fair value interest-rate risk.

The directors of the Company do not anticipate there is any significant impact on the Group resulted from the changes in fair value interest rate.

The Group regularly monitors its interest rate risk to ensure there is no undue exposure to significant interest rate movements.

(b) Credit Risk

Credit risk arises from cash and cash equivalents as well as credit exposures to outstanding other receivables.

(i) Risk management

To manage risk arising from cash and cash equivalents and outstanding other receivables, the Group only transacts with state-owned or reputable financial institutions in the PRC. There has been no recent history of default in relation to these financial institutions.

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experiences. In view of the history of cooperation with debtors and the sound collection history of the related receivables, management believes that the credit risk inherent in the Group's other receivables is not significant.

(ii) Impairment of financial assets

The Group has cash and cash equivalents and other receivables that are subject to the expected credit loss model.

While cash and cash equivalents and other receivables are subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

(c) Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents to meet operating capital requirements.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the respective reporting year/period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2022					
Trade payables	12,179	–	–	–	12,179
Other payables and accruals (excluding non-financial liabilities)	71,329	–	–	–	71,329
Borrowings	24,670	–	–	–	24,670
Lease liabilities	3,309	1,750	–	–	5,059
	111,487	1,750	–	–	113,237

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2023					
Trade payables	5,241	–	–	–	5,241
Other payables and accruals (excluding non-financial liabilities)	31,770	–	–	–	31,770
Long-term payable	–	80,000	130,000	–	210,000
Borrowings	29,323	–	–	–	29,323
Lease liabilities	6,877	6,123	15,855	–	28,855
	73,211	86,123	145,855	–	305,189
At 30 June 2024					
Trade payables	13,013	–	–	–	13,013
Other payables and accruals (excluding non-financial liabilities)	56,317	–	–	–	56,317
Long-term payable	–	110,000	80,000	–	190,000
Borrowings	30,632	–	–	–	30,632
Lease liabilities	7,566	8,107	14,508	–	30,181
	107,528	118,107	94,508	–	320,143

The liabilities arising from redemption rights, liquidity rights, dividends rights and the conversion rights and convertible loan that were granted to the investors have not been included in the above table as these preferred rights are subject to certain conditions and scenarios (please refer to Notes 27 and note 29 for more details).

3.2 Capital management

(a) Risk management

The Group's objectives when managing capital are to:

- safeguard their ability to continue as a going concern, and
- maintain an optimal capital structure to reduce the cost of capital in order to support its business and maximise shareholders' value.

In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares, sell assets to reduce debt or raise additional funding from shareholders or banks as and when necessary.

The Group monitors its capital structure on the basis of liability-to-asset ratio, which is calculated as total liabilities divided by total assets. The liability-to-asset ratio of the Group as at 31 December 2022 and 2023 and 30 June 2024 was as follows:

	As at 31 December		As at 30 June
	2022	2023	2024
The liability-to-asset ratio	416.02%	223.67%	247.07%

The Group has formulated plans and measures to mitigate the liquidity pressure and to improve the situation of high liability-to-assets ratio, details of which have been set out in Note 2(a).

There were no changes in the Group's approach to capital management during the Track Record Period.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

3.3 Fair value estimation

(a) Financial assets and liabilities

(i) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the Historical Financial Information. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of each reporting periods.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. The quoted market price already incorporates the market's assumptions with respect to changes in economic climate such as rising interest rates and inflation, as well as changes due to ESG risk. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities				
As at 31 December 2022				
Convertible loan	–	–	21,546	21,546
Financial instruments with preferred rights	–	–	339,453	339,453
As at 31 December 2023				
Financial instruments with preferred rights	–	–	739,523	739,523
As at 30 June 2024				
Financial instruments with preferred rights	–	–	800,943	800,943

There were no transfers between levels 1, 2 and 3 during the respective years/period.

As of the end of the respective reporting year/period, the Group does not have any financial assets which are required to be measured at fair value.

(ii) Valuation techniques used to determine fair values

The Group applies discounted cash flow method to determine the underlying equity value of the Suzhou Zephyrm and adopts the equity allocation model to determine the fair value of financial instruments with preferred rights as at the end of each of the Track Record Period. And the fair value of convertible loan as at 31 December 2022 was determined by discounted cash flow method.

(iii) Fair value measurements using significant unobservable inputs (Level 3)

The following table presents the changes in level 3 items for the years ended 31 December 2022 and 2023 and the six months ended 30 June 2024, respectively.

	Financial instruments with preferred rights		
	Years ended 31 December		Six months ended 30 June
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Opening balance	247,191	339,453	739,523
Additions	12,802	318,000	32,800
Converted from convertible loan	–	21,546	–
Change in fair value*	79,460	60,524	28,620
Closing balance	339,453	739,523	800,943
* Includes unrealised loss recognised in profit or loss attributable to balances held at the end of each of the reporting periods	79,460	60,524	28,620

	Convertible loan		
	Years ended 31 December		Six months ended 30 June
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Opening balance	–	21,546	–
Additions	20,000	–	–
Change in fair value*	1,546	–	–
Convert to financial instruments with preferred rights	–	(21,546)	–
Closing balance	21,546	–	–
* Includes unrealised loss recognised in profit or loss attributable to balances held at the end of each of the reporting periods	1,546	–	–

(iv) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements.

Description	Fair value (RMB'000)	Significant unobservable inputs	Range	Relationship of unobservable inputs to fair value	Sensitivity of the input to the fair value
Financial instruments with preferred rights	As at 31 December 2022: 339,453	Risk-free interest rate	2.51%	The higher the risk-free interest rate, the lower the fair value	5% increase/(decrease) in the risk-free interest rate would result in a (decrease)/increase in fair value by approximately RMB0.3 million and RMB0.3 million, respectively
		Volatility	54.70%	The higher the volatility, the lower the fair value	5% increase/(decrease) in the volatility would result in a (decrease)/increase in fair value by approximately RMB2.2 million and RMB2.1 million, respectively
		Weighted average cost of capital ("**WACC**")	22.00%	The higher the WACC, the lower the fair value	5% increase/(decrease) in the WACC would result in a (decrease)/increase in fair value by approximately RMB46.1 million and RMB52.2 million, respectively
	As at 31 December 2023: 739,523	Risk-free interest rate	2.49%	The higher the risk-free interest rate, the lower the fair value	5% increase/(decrease) in the risk-free interest rate would result in a (decrease)/increase in fair value by approximately RMB0.4 million and RMB0.4 million, respectively

Description	Fair value (RMB'000)	Significant unobservable inputs	Range	Relationship of unobservable inputs to fair value	Sensitivity of the input to the fair value
		Volatility	55.50%	The higher the volatility, the lower the fair value	5% increase/(decrease) in the volatility would result in a (decrease)/increase in fair value by approximately RMB3.2 million and RMB3.3 million, respectively
		WACC	21.00%	The higher the WACC, the lower the fair value	5% increase/(decrease) in the WACC would result in a (decrease)/increase in fair value by approximately RMB74.8 million and RMB84.6 million, respectively
	As at 30 June 2024: 800,943	Risk-free interest rate	1.59%	The higher the risk-free interest rate, the lower the fair value	5% increase/(decrease) in the risk-free interest rate would result in a (decrease)/increase in fair value by approximately RMB0.2 million and RMB0.2 million, respectively
		Volatility	57.44%	The higher the volatility, the lower the fair value	5% increase/(decrease) in the volatility would result in a (decrease)/increase in fair value by approximately RMB3.3 million and RMB3.6 million, respectively
		WACC	21.00%	The higher the WACC, the lower the fair value	5% increase/(decrease) in the WACC would result in a (decrease)/increase in fair value by approximately RMB79.1 million and RMB89.4 million, respectively
Convertible loan	As at 31 December 2022: 21,546	Risk-free interest rate	2.08%	The higher the risk-free interest rate, the lower the fair value	5% increase/(decrease) in the risk-free interest rate would result in a (decrease)/increase in fair value by approximately RMB0.01 million and RMB0.01 million, respectively

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Historical Financial Information requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates

(a) Estimated useful lives of licensed-in know-how

The Group's management determines the estimated useful lives and related amortization charges for the Group's licensed-in know-how with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. Management will revise the amortization charges where useful lives are different from the previous estimates, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in amortizable lives and therefore changing the amortization charges in future periods.

(b) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets (including intangible assets, the right-of-use assets and property, plant and equipment) at the end of each of the Track Record Period. 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. In assessing the "fair value less costs of disposal" (determined by management as the recoverable amount), the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, which requires significant judgment relating to level of revenue, operating costs and discount rates.

Judgment is required to select key assumptions applied in the adopted valuation models. Changing the assumptions selected by management in assessing impairment could materially affect the result of the impairment test and in turn affect the Group's financial condition and results of operations. If there is a significant adverse change in the key assumptions applied, it may be necessary to recognize impairment charge in the combined income statements.

(c) Fair value of financial liabilities

The fair value of financial instruments that are not traded in an active market is determined using appropriate valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting year/period, which are subject to uncertainty and might materially differ from the actual results. Further details are included in Note 3.3 to this Historical Financial Information.

(d) Fair value of ordinary shares transferred and share-based compensation recognized

During the Track Record Period, certain equity interests of Suzhou Zephyrm held through Zephyrm Tongchuang was transferred by Ms. JIN Yun, as one of the Controlling Shareholders, to certain employees at the consideration of RMB1 per share and vested immediately on the respective dates of transfer with the objective to incentivize employees for their contribution to the Group.

The fair value of the ordinary shares transferred to employees is determined by using the back-solve method to determine the underlying equity fair value of Suzhou Zephyrm and then adopted the equity allocation model to determine the fair value of ordinary shares transferred. Significant estimates on assumptions, such as risk-free interest rate and expected volatility are made based on management's best estimates. Further details are included in Note 26 to this Historical Financial Information.

4.2 Critical accounting judgements

(a) Consolidated Affiliated Entities arising from Contractual Arrangements

The Group does not hold equity shares directly or indirectly in the Consolidated Affiliated Entities. However, as a result of the Contractual Arrangements contacts, the Group has rights to variable returns from its involvement with the Consolidated Affiliated Entities; and the ability to affect those returns through its power over the Consolidated Affiliated Entities; and is considered to have control over the Consolidated Affiliated Entities. Consequently, the Group regards the Consolidated Affiliated Entities as indirect subsidiaries. The Group has included the financial position and results of the Consolidated Affiliated Entities in this Historical Financial Information.

Nevertheless, these Contractual Arrangements may not be as effective as direct legal ownership in providing the Group with direct control over the Consolidated Affiliated Entities and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights to the results, assets and liabilities of the Consolidated Affiliated Entities. The Group believes that these Contractual Arrangements are in compliance with the relevant PRC laws and regulations and are legally binding and enforceable.

(b) Capitalization of development costs

Development costs incurred on the Group's stem cell therapies are capitalized and deferred only when the development costs can meet the criteria in Note 15(iii) to the Historical Financial Information. Research and development costs which do not meet these criteria are expensed when incurred. Determining the amounts to be capitalized requires management to make judgements in assessing of whether the technical feasibility of the existing pipelines to be successfully commercialized and to generate probable future economic benefits for the Group had been achieved. During the Track Record Period, all costs incurred for research and development activities (other than those for purchase of licensed-in know-how) were expensed when incurred.

5 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker ("**CODM**"). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Group.

During the Track Record Period, the Group is principally engaged in the research and development of stem cell drug products for human use. Management reviews the operating results of the business as one operating segment to make decisions about resources to be allocated. Therefore, the CODM of the Group regards that there is only one segment which is used to make strategic decisions.

The major operating entity of the Group is domiciled and operated in the PRC. Accordingly, the Group's results were primarily derived in the PRC during the Track Record Period.

As at 31 December 2022 and 2023 and 30 June 2024, substantially all of the Group's assets were located in the PRC.

6 EXPENSES BY NATURE

	Year ended 31 December		Six months ended 30 June	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Employee benefits expenses *(Note 7)*	34,255	44,297	21,310	153,264
Depreciation and amortization	14,902	13,691	6,533	11,325
Pre-clinical and clinical trial expenses	14,439	20,441	7,380	14,552
Indication research related fees	–	28,779	–	–
Cost of material consumed	16,915	9,422	4,681	3,296
Utilities expenses	1,688	1,740	630	659
Professional fees	1,449	7,636	6,927	1,176
Office expenses	1,058	1,139	327	883
[REDACTED] expenses	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Other expenses	5,396	7,917	4,724	3,215
	90,102	135,062	52,512	201,592

7 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December		Six months ended 30 June	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Wages, salaries and bonuses	28,060	36,765	17,789	19,889
Other social security costs, housing benefits	3,596	4,376	2,046	2,437
Contribution to pension plans	2,599	3,156	1,475	1,758
Share-based compensation expenses *(Note 26)*	–	–	–	129,180
	34,255	44,297	21,310	153,264

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2022 and 2023 and the six months ended 30 June 2023 and 2024 include two, two, two and one directors of the Company, whose emoluments are reflected in the analysis shown in Note 32. The emoluments payable to the remaining five highest paid individuals during the Track Record Period are as follows:

	Year ended 31 December		Six months ended 30 June	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Basic salaries, housing allowances, other allowances and benefits in kind	3,952	4,058	2,026	2,516
Contribution to pension plans	58	63	31	73
Discretionary bonuses	212	254	120	227
	4,222	4,375	2,177	2,816

The emoluments fell within the following bands:

	Number of individuals			
	Year ended 31 December		Six months ended 30 June	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Emolument bands (in HK dollar)				
HK$500,001 – HK$1,000,000	–	–	3	4
HK$1,000,001 – HK$1,500,000	1	–	–	–
HK$1,500,001 – HK$2,000,000	2	3	–	–

8 OTHER INCOME – NET

	Year ended 31 December		Six months ended 30 June	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Government grants	1,444	2,155	57	70
Others	89	105	–	–
	1,533	2,260	57	70

9 OTHER LOSSES – NET

	Year ended 31 December		Six months ended 30 June	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Net fair value losses on financial instruments with preferred rights	79,460	60,524	22,895	28,620
Net fair value losses on a convertible loan	1,546	–	–	–
Others	1	2	–	1
	81,007	60,526	22,895	28,621

10 FINANCE INCOME AND COSTS

	Year ended 31 December		Six months ended 30 June	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Finance income				
Interest from bank deposits	19	661	337	216
Finance costs				
Interest expense on borrowings	(1,746)	(2,347)	(1,115)	(711)
Interest for the long-term payables to Strategic Collaborators *(Note 28)*	(1,110)	(339)	–	(5,220)
Interest for lease liabilities	(340)	(499)	(90)	(718)
Others	(11)	(165)	(109)	(9)
	(3,207)	(3,350)	(1,314)	(6,658)
Financial costs – net	(3,188)	(2,689)	(977)	(6,442)

11 INCOME TAX EXPENSE

Cayman Islands

The Company is incorporated as an exempted company with limited liability under the Companies Law (Cap.22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands and is not subject to Cayman Islands income tax.

Hong Kong

During the Track Record Period, no provision for Hong Kong profits tax has been provided as the Group has no taxable profits deriving from Hong Kong.

Mainland China

The Group's subsidiaries incorporated in Mainland China are all subject to the PRC corporate income tax which are calculated at the statutory income tax rate of 25% on their assessable profits (if any) for the respective years/periods.

As announced in March 2022 and September 2022 by the State Taxation Administration of the People's Republic of China, technology-based small and medium-sized enterprises would entitle to claim 200% of their research and development expenses ("**Super Deduction**") from January 1, 2022 and other enterprises would entitle to claim 200% of their research and development expenses from October 1, 2022 to December 31, 2022 (prior deduction rate: 175%). As announced in March 2023, all enterprises engaging in research and development activities would entitle to claim 200% of their research and development expenses as Super Deduction from January 1, 2023. The Group has made its best estimate for the Super Deduction to be claimed for the Group's entities in ascertaining their assessable profits.

No provision for Mainland China income tax has been provided pursuant to the Corporate Income Tax Law and the respective regulations, as all of the entities within the Group do not have any taxable profits during the Track Record Period.

A reconciliation between the Group's income tax expenses and the amount which is calculated based on the PRC statutory income tax rate of 25% is as follows:

	Year ended 31 December		Six months ended 30 June	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Loss before tax	(172,764)	(196,017)	(76,327)	(236,585)
Calculated at an income tax rate of 25%	(43,191)	(49,004)	(19,081)	(59,146)
Effects of different tax rates applicable to different entities of the Group	8,912	12,764	4,641	19,100
Tax effect of expenses that are not deductible for tax purpose	105	147	62	19,457
Tax effect of deductible temporary differences not recognized	20,251	15,131	5,724	7,155
Super Deduction for research and development expenses	(10,080)	(11,871)	(4,709)	(6,592)
Tax effect of tax losses not recognized	24,003	32,833	13,363	20,026
Income tax expense	–	–	–	–

As at 31 December 2022 and 2023 and 30 June 2024, the Group has unused tax losses of approximately RMB499,121,175, RMB681,183,135 and RMB822,062,079 respectively. No deferred income tax asset has been recognized in respect of these tax losses as it is uncertain whether these tax losses could be utilized prior to their expiry dates.

The analysis of deferred income tax assets is as follows:

	As at 31 December		As at 30 June
Deferred income tax assets	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
The balance comprises temporary differences attributable to:			
Lease liabilities	739	3,783	4,030
Others	4	86	92
Total deferred income tax assets	743	3,869	4,122
Set-off of deferred income tax liabilities pursuant to set-off provisions	(743)	(3,869)	(4,122)
Net deferred income tax assets	–	–	–

The movement in deferred income tax assets and liabilities are as follows:

	Deferred income tax assets	Deferred income tax liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2022	1,691	(1,691)	–
(Charged)/credited to profit or loss	(948)	948	–
As at 31 December 2022	743	(743)	–
Credited/(charged) to profit or loss	3,126	(3,126)	–
As at 31 December 2023	3,869	(3,869)	–
Credited/(charged) to profit or loss	253	(253)	–
As at 30 June 2024	4,122	(4,122)	–

12 LOSS PER SHARE

No loss per share information is presented as its inclusion, for the purpose of this report, is not considered as meaningful due to the Reorganization and the preparation of the Group's results for each of the years ended 31 December 2022 and 2023 and the six months ended 30 June 2023 and 2024 on a combined basis as disclosed in Note 1.3 above.

13 PROPERTY, PLANT AND EQUIPMENT

	Leasehold Improvement	Instruments	Construction in progress	Office equipment and furniture	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022					
Cost	9,536	10,262	–	926	20,724
Accumulated depreciation	(5,335)	(6,566)	–	(572)	(12,473)
Net book amount	4,201	3,696	–	354	8,251
Year ended 31 December 2022					
Opening net book amount	4,201	3,696	–	354	8,251
Additions	–	1,530	–	231	1,761
Disposals	–	(10)	–	(30)	(40)
Depreciation charge	(2,460)	(2,646)	–	(189)	(5,295)
Closing net book amount	1,741	2,570	–	366	4,677
At 31 December 2022					
Cost	9,536	11,783	–	1,127	22,446
Accumulated depreciation	(7,795)	(9,213)	–	(761)	(17,769)
Net book amount	1,741	2,570	–	366	4,677
Year ended 31 December 2023					
Opening net book amount	1,741	2,570	–	366	4,677
Additions	–	1,085	444	166	1,695
Disposals	–	(13)	–	(63)	(76)
Depreciation charge	(1,704)	(979)	–	(147)	(2,830)
Closing net book amount	37	2,663	444	322	3,466
At 31 December 2023					
Cost	9,536	12,855	444	1,230	24,065
Accumulated depreciation	(9,499)	(10,192)	–	(908)	(20,599)
Net book amount	37	2,663	444	322	3,466

	Leasehold Improvement	Instruments	Construction in progress	Office equipment and furniture	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Six months ended 30 June 2024					
Opening net book amount	37	2,663	444	322	3,466
Additions	497	1,165	1,498	76	3,236
Depreciation charge	(56)	(376)	–	(83)	(515)
Closing net book amount	478	3,452	1,942	315	6,187
At 30 June 2024					
Cost	10,033	14,020	1,942	1,306	27,301
Accumulated depreciation	(9,555)	(10,568)	–	(991)	(21,114)
Net book amount	478	3,452	1,942	315	6,187

Depreciation charges were expensed in the following categories in the combined statements of profit or loss and other comprehensive income:

	Year ended 31 December		Six months ended 30 June	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Administrative expenses	2,643	1,841	1,254	139
Research and development expenses	2,652	989	598	376
	5,295	2,830	1,852	515

14 LEASES

(a) Right-of-use assets

	Properties	Land use right	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2022			
Cost	17,012	–	17,012
Accumulated amortization	(5,740)	–	(5,740)
Net book amount	11,272	–	11,272

	Properties	Land use right	Total
	RMB'000	*RMB'000*	*RMB'000*
Year ended 31 December 2022			
Opening net book amount	11,272	–	11,272
Amortization	(5,127)	–	(5,127)
Modification	(1,195)	–	(1,195)
Closing net book amount	4,950	–	4,950
At 31 December 2022			
Cost	15,817	–	15,817
Accumulated amortization	(10,867)	–	(10,867)
Net book amount	4,950	–	4,950
Year ended 31 December 2023			
Opening net book amount	4,950	–	4,950
Additions	26,480	–	26,480
Amortization	(5,634)	–	(5,634)
Closing net book amount	25,796	–	25,796
At 31 December 2023			
Cost	42,297	–	42,297
Accumulated amortization	(16,501)	–	(16,501)
Net book amount	25,796	–	25,796
Six months ended 30 June 2024			
Opening net book amount	25,796	–	25,796
Additions	5,191	60,255	65,446
Amortization	(3,508)	(603)	(4,111)
Closing net book amount	27,479	59,652	87,131
At 30 June 2024			
Cost	47,488	60,255	107,743
Accumulated amortization	(20,009)	(603)	(20,612)
Net book amount	27,479	59,652	87,131

(b) Lease liabilities

	As at 31 December		As at 30 June
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Current	3,224	5,520	6,137
Non-current	1,702	19,701	20,727
	4,926	25,221	26,864

(c) Amounts recognized in the combined statements of profit or loss and other comprehensive income

The combined statements of profit or loss and other comprehensive income shows the following amounts relating to leases:

	Year ended 31 December		Six months ended 30 June	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Amortization charge of right-of-use assets				
Properties	5,127	5,634	2,441	3,508
Land use right	–	–	–	603
	5,127	5,634	2,441	4,111
Interest expense (included in finance cost)	340	499	90	718
Expense relating to leases of low-value assets or short-term leases(included in research and development expenses and administrative expenses)	481	491	273	386

For the years ended 31 December 2022 and 2023 and the six months ended 30 June 2023 and 2024, the total cash outflow for leases was approximately RMB4,985,000, RMB6,398,000, RMB2,491,000 and RMB3,282,000, respectively. The Group has also incurred a cash outflow approximately RMB60,255,000 for purchasing land use right.

15 INTANGIBLE ASSETS

	Licensed-in know-how	Computer software	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022				
Cost	92,082	1,825	22	93,929
Amortization	(10,990)	(611)	(2)	(11,603)
Net book amount	81,092	1,214	20	82,326
Year ended 31 December 2022				
Opening net book amount	81,092	1,214	20	82,326
Amortization	(4,254)	(224)	(2)	(4,480)
Closing net book amount	76,838	990	18	77,846

	Licensed-in know-how	Computer software	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2022				
Cost	92,082	1,825	22	93,929
Amortization	(15,244)	(835)	(4)	(16,083)
Net book amount	76,838	990	18	77,846
Year ended 31 December 2023				
Opening net book amount	76,838	990	18	77,846
Addition	170,745	–	–	170,745
Amortization	(5,001)	(224)	(2)	(5,227)
Closing net book amount	242,582	766	16	243,364
At 31 December 2023				
Cost	262,827	1,825	22	264,674
Amortization	(20,245)	(1,059)	(6)	(21,310)
Net book amount	242,582	766	16	243,364
Six months ended 30 June 2024				
Opening net book amount	242,582	766	16	243,364
Amortization	(6,608)	(90)	(1)	(6,699)
Closing net book amount	235,974	676	15	236,665
At 30 June 2024				
Cost	262,827	1,825	22	264,674
Amortization	(26,853)	(1,149)	(7)	(28,009)
Net book amount	235,974	676	15	236,665

Amortization charges were expensed in the following categories in the combined statements of profit or loss and other comprehensive income:

	Year ended 31 December		Six months ended 30 June	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Research and development expenses	4,256	5,003	2,128	6,609
Administration expenses	224	224	112	90
	4,480	5,227	2,240	6,699

i) Licensed-in know-how

The Group entered into a series of collaboration agreements with Institute of Zoology of Chinese Academy of Sciences ("**CAS**") (中國科學院動物研究所) and Beijing Institute for Stem Cell and Regeneration (北京幹細胞與再生醫學研究院) (collectively, the "**Strategic Collaborators**"), which comprised of the original agreements and subsequent supplemental and clarification agreements entered into from May 2019 until September 2024 (collectively referred as the "**Agreements**").

Pursuant to the Agreements, the Strategic Collaborators granted the Group:

- the sole rights to use two human embryonic stem cells ("**hESC**") lines worldwide generated by them to research, develop, manufacture, offer for sale, and commercialize stem cell-derived herapeutic products for the treatment of all potential indications.

- the sole rights under the patent rights controlled by the Strategic Collaborators related to microfold cell or membranous cell ("**M cells**"), midbrain dopaminergic progenitor cells ("**mDAP cells**") and retinal pigment epithelium ("**RPE cells**") (collectively referred to as "**Collaborative Cells**") derived from hESCs worldwide to research and develop, manufacture, offer for sale, and commercialize relevant stem cells-derived therapeutic products for the treatment of all potential indications ("**Therapeutic Products**").

Pursuant to the Agreements, the Group is required to make various payments to the Strategic Collaborators, including upfront payments, milestone payments, and royalty payments. Upfront payments are flat fees paid in installments according to the mutual agreement between the Strategic Collaborators and the Group. Milestone payments shall be made when a Therapeutic Product obtains marketing approval. Royalty payments will be due when the sales of a Therapeutic Product for a specific indication exceed a certain threshold, at which point the Group is obligated to pay a mid single-digit percentage of sales as royalties.

The Strategic Collaborators provided two clinical-grade hESC lines and licensed the Group differentiation pathway technologies of hESC-derived functional cells of M cells, mDAP cells and RPE cells (collectively the "**licensed-in know-how**"). Based on these external licensed-in know-how and internal R&D capabilities, the Group is developing a Pluoripotent Stem Cell ("**PSC**")-derived cell therapy development platform, PROF, which comprises three independent but integrated technology platforms, namely, PSC Seed Platform (PROF-seed), Vital Functional Cell Development Platform (PROF-function), and Formulations Optimization Platform (PROF-formulator), and the Group is developing PSC-derived cell therapies by leveraging the PROF platform.

The licensed-in know-how purchased from the Strategic Collaborators is recognized as separately acquired intangible assets at historical cost when the control of the licensed-in know-how was transferred to the Group, and amortized using the straight-line method over their estimated useful lives, which is determined according to management's estimated periods that the Group intends to use these licensed-in know-how in the research and development activities and receives economic benefits after successfully obtaining marketing approval. They are subsequently carried at cost less accumulated amortization and impairment losses.

The purchase of the M cells licensed-in know-how was completed in 2019 at a consideration of RMB100 million. The purchases of the mDAP cells and RPE cells licensed-in know-how were completed in 2023 at a consideration of RMB100 million for each of the licensed-in know-how.

The purchases of the above-mentioned licensed-in know-how involve a long-term payment arrangements which include financing components. The licensed-in know-how acquired is initially recognized based on the discounted amount of flat fees (mainly including upfront payments) pursuant to the Agreements. Milestone payments are considered as variable payments for the acquisition of intangible assets, which is not considered on initial recognition of the asset, but it is added to the cost of the asset initially recorded, when incurred. Royalty payments should be accrued for in line with the underlying sales of Therapeutic Products and recognized as part of the cost of sales.

In the initial recognition of the intangible assets of licensed-in know-how, the Group uses actual or estimated (if there is no actual one) incremental borrowing rate as the applicable discount rate. If a readily observable amortizing loan rate is available to the Group (through recent financing or market data) which has a similar payment profile to the arrangement, then the Group use that rate as a starting point to determine the incremental borrowing rate. Otherwise, where possible, the Group uses recent third-party financing received by the Group as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

ii) Impairment tests for licensed-in know-how

Licensed-in know-how are used in research and development activities by the Group. During the Track Record Period, all the developing costs (including amortization charges of theses licensed-in know-how) were expensed off as and when they were incurred. Management of the Group has performed impairment tests for these licensed-in know-how as of the end of the respective reporting years/periods.

The recoverable amount of licensed-in know-how is estimated for the smallest group of assets that generate cash inflows that are largely independent of each other. These are referred to as cash-generating units ("**CGU**"). The Group identified three CGUs, namely the CGU of M cells, CGU of mDAP cells and CGU of RPE cells for the purpose of impairment tests for the licensed-in know-how assets.

Management has involved an independent qualified valuer to perform impairment assessment to assess the "**fair value less cost of disposal**" (determined by management as the recoverable amount) at the level of each CGU as at the respective year/period end of the Track Record Period by using the discounted cash flow model.

These impairment test calculations use post-tax cash flow forecast based on financial budgets prepared by management covering the forecast period ending 31 December 2040 for the CGU of M cells, financial budgets prepared by management covering the forecast period ending 31 December 2042 for the CGUs of mDAP cells and RPE cells. Management considers the length of forecast period is appropriate because it generally takes longer for a biopharmaceutical company to reach a perpetual growth mode, compared to companies in other industries, especially when PSC-derived cell therapy products are still under clinical trial and the market of such product is at an early stage of development with substantial growth potential. Hence, taking into account of the commercialization timing, patent protection period and product life cycle, management believes that a forecasted period for the CGUs of M cells, mDAP cells and RPE cells longer than five years is appropriate and consistent with industry practice.

The key assumptions of impairment test of the CGU of M cells are disclosed as below:

	As at 31 December		As at 30 June
	2022	2023	2024
Expected revenue growth rate from second commercialization year during the forecast period	392.6% to -9.3%	392.6% to -9.3%	392.6% to -9.3%
Post-tax discount rate	22%	21%	21%

The key assumptions of impairment test of the CGU of RPE cells are disclosed as below:

	As at	
	31 December 2023	30 June 2024
Expected revenue growth rate from second commercialization year during the forecast period	214.8% to -2.3%	214.8% to -2.3%
Post-tax discount rate	21%	21%

The key assumptions of impairment test of the CGU of mDAP cells are disclosed as below:

	As at	
	31 December 2023	30 June 2024
Expected revenue growth rate from second commercialization year during the forecast period	151.1% to -1.0%	151.1% to -1.0%
Post-tax discount rate	21%	21%

Management has determined the values assigned to certain key assumptions abovementioned as follows:

Assumption	Approach used to determining values
Revenue growth rate	Revenue growth rate covering forecast period ending 31 December 2040 for the CGU of M cells and period ending 31 December 2042 for the CGUs of mDAP cells and RPE cells, which were estimated based on management's expectations of market development, business strategy and industry data from industry research report issued by a third-party consultation report.
Post-tax discount rate	Reflect specific risks relating to the operation of the business.

The result of the impairment testing reveals that the estimated recoverable amount of the CGU of M cells far exceeded its carrying amount with sufficient headroom as at 31 December 2022 and 2023 and 30 June 2024, respectively.

The directors of the Company have not identified that a reasonable possible change in any of the key assumptions that could cause the carrying amount of the CGU of M cells to exceed their recoverable amount. Accordingly, the directors of the Company have concluded that no provision for impairment is required to be recognised for the intangible assets that attributable to the CGU of M cells as of the end of the respective reporting years/periods.

Based on the result of the impairment testing, the estimated recoverable amount of the CGU of RPE cells and mDAP cells are close to their carrying amount as at 31 December 2023 and 30 June 2024, considering that they were both acquired at the end of 2023 and no major adverse changes were noted since their acquisition. The directors of Company have therefore concluded that no provision for impairment is required to be recognised for the intangible assets that attributable to the CGUs of RPE cells and mDAP cells as of the end of each respective reporting years/periods.

iii) Research and development

The Group incurs significant costs and efforts on research and development activities. Research expenditures are charged to the profit or loss as an expense in the period the expenditure is incurred. Development costs are recognized as assets if they can be directly attributable to a newly developed biopharmaceutical product and all the following can be demonstrated:

- it is technically feasible to complete the assets so that it will be available for use,
- management intends to complete the assets and use or sell it,
- there is an ability to use or sell the assets,
- it can be demonstrated how the assets will generate probable future economic benefits,

- adequate technical, financial and other resources to complete the development and to use or sell the assets are available, and

- the expenditure attributable to the assets during its development can be reliably measured.

The cost of an internally generated intangible asset is the sum of the expenditure incurred from the date the asset meets the recognition criteria above to the date when it is available for use. The costs capitalized (if any) in connection with the intangible asset include costs of materials and services used or consumed, testing fee, employee costs incurred in the creation of the asset and an appropriate portion of relevant overheads.

Other than those as incurred for the purchases of the licensed-in know-how mentioned in Note 15(i) above, no research and development costs were capitalized during the Track Record Period.

16 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December		As at 30 June
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Financial assets at amortized cost:			
Cash and cash equivalents	18,808	166,742	78,264
Other receivables, deposits and prepayments (excluding prepayments, VAT input tax to be deducted or refunded, and capitalized **[REDACTED]** expenses)	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
	20,687	168,929	97,712
Financial liabilities			
Financial liabilities at amortized cost:			
Borrowings	24,000	27,879	30,000
Other payables and accruals (excluding payroll and welfare payables)	71,329	31,670	50,694
Trade payables	12,179	5,241	13,013
Lease liabilities	4,926	25,221	26,864
Long-term payable – non-current	–	179,963	170,706
Financial liabilities at fair value			
Financial instruments with preferred rights	339,453	739,523	800,943
Convertible loan	21,546	–	–
	473,433	1,009,497	1,092,220

17 INVENTORIES

	As at 31 December		As at 30 June
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Raw materials and consumables	3,383	2,483	1,894
Less: provisions for inventories	–	–	–
	3,383	2,483	1,894

18 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 31 December		As at 30 June
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Prepayment for inventories and clinical trial fee	4,337	8,385	9,326
Prepayment for property, plant and equipment	–	537	3,150
Rental deposits due from third parties	1,687	1,765	1,769
VAT input tax to be deducted or refunded	770	3,607	1,579
Receivables due from related parties	30	30	746
Capitalized **[REDACTED]** expenses	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Receivables for capital increase of Suzhou Zephyrm	–	–	16,400
Others	162	392	533
	6,986	14,716	35,680
Less: provision for impairment	–	–	–
	6,986	14,716	35,680
Less: non-current portion	(782)	(2,144)	(5,539)
Current portion	6,204	12,572	30,141

The carrying amounts of other receivables and deposits are mainly denominated in RMB and approximate their fair values. The identified impairment loss for other receivables was immaterial and Note 3.1(b) sets out information about the impairment of financial assets and the Group's exposure to credit risk.

19 CASH AND CASH EQUIVALENTS

The Group

	As at 31 December		As at 30 June
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Cash at banks			
– RMB deposits	18,808	166,734	78,256
– USD deposits	–	8	8
	18,808	166,742	78,264

Cash at banks earns interest at floating rates based on daily bank deposit rates.

The Group's balances of cash at banks which are mainly denominated in RMB are deposited with banks in the PRC.

The Company

	As at 31 December		As at 30 June
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Cash at banks			
– USD deposits	–	8	8

20 COMBINED CAPITAL

The Company was incorporated in the Cayman Islands on 15 September 2021 with authorized share capital of USD50,000 divided into 500,000,000 shares of a par value of USD0.0001 each.

As mentioned in Note 1.3 above, the Reorganization has yet to be completed as at 30 June 2024 and the combined capital as 31 December 2022 and 2023 and 30 June 2024 represented the combined issued registered capital without preferred rights of Suzhou Zephyrm. Upon completion of the Reorganization in September 2024 , the combined capital will be reclassified to capital reserves.

21 OTHER RESERVES

	As at 31 December		As at 30 June
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Share-based payment reserve	6,024	6,024	135,204

In December 2019, Mr. DONG Xin subscribed for an increase in the registered capital of Suzhou Zephyrm of RMB545,450 through Shenzhen Yonglong at the consideration of RMB545,450. The difference between the fair value and the consideration of the registered capital issued amounting to RMB6,024,000 was recognized as employee benefit expenses, with corresponding increases for the same amounts in equity.

In June 2024, certain registered capital of Suzhou Zephyrm held through Zephyrm Tongchuang was transferred by Ms. JIN Yun, as one of the Controlling Shareholders, to certain employees at the consideration of RMB1 per registered capital and vested immediately on the respective dates of transfer with the objective to incentivize those employees for their contribution to the Group. On the respective dates of transfer, the difference between the fair value and the consideration of the registered capital transferred amounting to RMB129,180,000 was recognized as employee benefit expenses, with corresponding increases for the same amounts in equity. See further details as set out in Note 26.

22 DEFERRED INCOME

	As at 31 December		As at 30 June
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Government grant			
Reimbursement of future expenses *(a)*	–	2,861	2,875

(a) These government grants are subsidies received for compensating the Group's expenses to be incurred for future research and development activities with regards to certain projects.

The amount of government grants credited to profit or loss for the respective years/periods are included as other income (Note 8).

23 TRADE PAYABLES

An aging analysis of trade payables, analysed based on invoice date, is set out as follows:

	As at 31 December		As at 30 June
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	12,179	5,241	13,013

The carrying amounts of trade payables are denominated in RMB. The carrying amounts approximate their fair values due to short-term maturities.

24 OTHER PAYABLES AND ACCRUALS

	As at 31 December		As at 30 June
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Loans from related parties and accrued interest *(note a)*	25,929	–	–
Other payables to related parties	8,500	10	–
Accrued professional fees	800	6,300	500
Borrowing from third parties and accrued interest *(note b)*	10,814	4,374	694
Current portion of payables to the Strategic Collaborators *(Note 28)*	25,000	19,900	34,377
Payroll and welfare payables	11,852	8,861	6,383
[REDACTED]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Others	286	1,086	2,894
	83,181	40,531	57,077

Note

(a) The loans from related companies were unsecured, bore interests at a fixed rate ranged from 4.2% to 5.5% per annum.

(b) The borrowings from third parties were unsecured, bore interests at a fixed rate of 6.5% per annum.

(c) The carrying amounts of other payables and accruals are denominated in RMB and approximate their fair values due to their short-term maturities.

25 BORROWINGS

	As at 31 December		As at 30 June
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Short-term bank borrowings, guaranteed	24,000	27,879	30,000

These borrowings are guaranteed or counter-guaranteed by certain parties and details of which are summarized as below:

	Bank borrowings	Interest rate	Guaranteed by	Counter-guaranteed by
	RMB'000			
As at 31 December 2022				
– Bank A	10,000	7.0%	Suzhou Zephyrm, Mr. DONG Xin and Ms. WU Huijin (Mr. DONG Xin's spouse)	–
– Bank B	5,000	3.7%	A financial institution	Suzhou Zephyrm, Mr. DONG Xin and Ms. WU Huijin
– Bank C	2,000	4.1%	A financial institution	Suzhou Zephyrm and Mr. DONG Xin
– Bank D	7,000	4.6%	A financial institution	Mr. DONG Xin and Ms. WU Huijin
	24,000			
As at 31 December 2023				
– Banks E and F	7,879	6.0%	Suzhou Zephyrm and Mr. DONG Xin	–
– Bank E	5,000	6.0%	Suzhou Zephyrm, Beijing Zephyrm and Mr. DONG Xin	–
– Bank D	10,000	4.0%	Suzhou Zephyrm and a financial institution	Suzhou Zephyrm, Mr. DONG Xin and Ms. WU Huijin
– Bank B	5,000	2.8%	A financial institution	Suzhou Zephyrm, Mr. DONG Xin and a third party
	27,879			
As at 30 June 2024				
– Bank A	10,000	6.5%	Suzhou Zephyrm, Mr. DONG Xin and a third party	–
– Bank E	5,000	6.0%	Suzhou Zephyrm, Beijing Zephyrm and Mr. DONG Xin	–
– Bank D	10,000	4.0%	Suzhou Zephyrm and a financial institution	Suzhou Zephyrm, Mr. DONG Xin and Ms. WU Huijin
– Bank B	5,000	2.8%	A financial institution	Suzhou Zephyrm, Mr. DONG Xin and a third party
	30,000			

26 SHARE-BASED PAYMENTS

In June 2024, certain registered capital without preferred rights of Suzhou Zephyrm held through Zephyrm Tongchuang was transferred by Ms. JIN Yun, as one of the Controlling Shareholders, to certain employees at the consideration of RMB1 per registered capital and vested immediately on the respective dates of transfer with the objective to incentivize the employees for their contribution to the Group. On the respective dates of transfer, the difference between the fair value and the consideration of the registered capital transferred was recognized as employee benefit expenses, with corresponding increases of the same amounts in equity.

Share-based compensation expenses as recognised in profit or loss during the Track Record Period was as follows:

	Year ended 31 December		Six months ended 30 June	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Administrative expenses	–	–	–	114,175
Research and development expenses	–	–	–	15,005
	–	–	–	129,180

(a) Details of the shares transferred and the vesting conditions are as follow:

Date of transfer of shares to the employees	Percentage of registered capital transferred %	Vesting condition
4 June 2024	10.15%	Fully vested at date of transfer

(b) The fair value of transferred shares

The fair value of the ordinary shares transferred to employees is determined by using the back-solve method to determine the underlying equity fair value of Suzhou Zephyrm and then adopted the equity allocation model to determine the fair value of ordinary shares. The key assumptions used in the valuation model are disclosed as below:

	As at the date of transfer of shares to the employees
Risk-free interest rate	2.95%
Expected volatility	54.33%

27 FINANCIAL INSTRUMENTS WITH PREFERRED RIGHTS

Since the date of incorporation, the Company has completed several rounds of financing, in which investors subscribed registered capital with preferred rights of Suzhou Zephyrm as set out in Note 1.2, including Series Angel, Series A, Series B.

The details of different rounds of financing are summarised in the table below:

	Date of agreement	Issue price per registered capital (RMB)	Registered capital subscribed for	Total consideration
			RMB'000	*RMB'000*
Series Angel – Angel Round Financing	May 2019–September 2019	27.50	3,636	100,000
Series Angel – Convertible loan financing	November 2018 and August 2019	39.29	1,273	50,000
Series A – Series A Financing	December 2020	58.93	2,715	160,000
Series B – Convertible loan financing *(Note 29)*	December 2022	62.30	1,124	70,000
Series B – Series B Financing	December 2022, September 2023 and March 2024	66.57	4,626	308,000

According to the original and amended Memorandum of Association of the Company ("**MOA**") upon the issuance of each series of preferred shares (the "**Preferred Shares**"), the Group recognized these Preferred Shares as financial instruments with preferred rights and measured at fair value through profit or loss. According to MOA of the Company, the key terms of the Preferred Shares are summarised as follows:

(a) Dividends rights

Subject to the MOA, the Board of Directors may from time to time declare dividends (including interim dividends) and distributions on shares of the Company outstanding and authorize payment of the same out of the funds of the Company lawfully available therefor.

If the Board declares a dividend or distribution in accordance with the articles, such dividend or distribution shall be distributed among all holders of ordinary shares and Preferred Shares in proportion to the number of fully paid ordinary shares that would be held by each such holder if all fully paid Preferred Shares had been converted to fully paid ordinary shares as of the record date fixed for determining those entitled to receive such dividend or distribution.

(b) Conversion rights

Each Preferred Share shall automatically be converted into Ordinary Shares upon the closing of a Qualified **[REDACTED]**.

Unless converted automatically, each holder of the Preferred Shares shall have the right, at such holder's sole discretion, to convert the Preferred Shares into such number of fully paid and non-assessable Ordinary Shares at any time based on the applicable then-effective conversion price (the "**Conversion Price**"). The Conversion Price for each holder of the Preferred Shares shall initially equal the respective original issue price. Then the Conversion Price will be subject to adjustments from time to time to reflect share splits and combinations, share dividends and distributions, and certain other events. The initial conversion ratio for the applicable Preferred Shares to the Ordinary Shares shall be 1:1.

(c) Redemption preferences

Redemption event (the "**Redemption Events**") means the occurrence of any of the following events: (i) the Company fails to consummate a Qualified **[REDACTED]** on The Stock Exchange of Hong Kong Limited on or before 31 October 2025; (ii) the Company fails to consummate a Qualified **[REDACTED]** on any stock exchange in the PRC (excluding Beijing Stock Exchange and National Equities Exchange and Quotations) on or before 31 December 2027; (iii) there is any material breach of any covenants or obligations in the shareholders agreement by the Company and/or any founder party; (iv) any founder party commits illegal or criminal acts; (v) the Company ceases to cooperate with CAS which has a material adverse effect on the Company's principal business; (vi) the Company's use of the proceeds paid by any of the investors is materially not in compliance with the agreements entered into by and between the Company and such investor, and the Company fails to complete the rectification within the period requested by such investor; or (vii) any redemption requesting holder (as defined below) requests for redemption upon occurrence of any of the events described under (i) to (vi) above.

Each of any Series B Investors or Series A Investors (collectively, the "**Redemption Requesting Holder**") may request the Company or the Founder Parties (collectively, the "**Redemption Parties**" and each, a "**Redemption Party**") by delivering a written notice to such Redemption Parties to redeem all or any lesser portion of the then outstanding Preferred Shares held by such holder of Preferred Shares at the applicable redemption price (the "**redemption price**").

The redemption price for each registered capital subscribed by Series B Investors (the "**Series B Redemption Price**") redeemed pursuant to the MOA shall be equal to the greater of: (x) one hundred percent (100%) of the Original Series B Issue Price, plus a return at a simple interest rate of eight percent (8%) per annum on the Original Series B Issue Price, calculating from the Series B Deemed Issue Date until the actual payment date of the Series B Redemption Price (for the avoidance of doubt, in respect of a period less than a whole year, the rate shall be a fraction where the numerator is the number of days in such period and the denominator is 365), or (y) one hundred percent (100%) of the Original Series B Issue Price, plus any declared but unpaid dividends on such Series B Preferred Share up to the actual payment date of the Series B Redemption Price (as adjusted for any share splits, share dividends, combinations, recapitalizations and similar transactions).

The redemption price for each registered capital subscribed by Series A Investors (the "**Series A Redemption Price**") redeemed shall be equal to the greater of: (x) one hundred percent (100%) of the Original Series A Issue Price, plus a return at a simple interest rate of eight percent (8%) per annum on the Original Series A Issue Price, calculating from the Series A Deemed Issue Date until the actual payment date of the Series A Redemption Price, or (y) one hundred percent (100%) of the Original Series A Issue Price, plus any declared but unpaid dividends on such Series A Preferred Share up to the actual payment date of the Series A Redemption Price (as adjusted for any share splits, share dividends, combinations, recapitalizations and similar transactions).

In the event that the Founder Parties and/or the Company fail to pay in full all redemption payments to be paid, each Redemption Requesting Holder shall have the right to request the Company to take all actions necessary or desirable to the extent permitted by Laws (including, without limitation, declaring and paying a cash dividend and/or any other distribution, or selling, transferring or otherwise disposing of any and all of its properties and assets, or effecting liquidation or winding-up proceedings) to ensure that it has sufficient legally available funds or assets to pay the aggregate redemption payments to all Redemption Requesting Holders. Each of the members of the Company other than the Redemption Requesting Holders shall provide, and shall procure the investor director appointed by such member (if any) to provide, necessary assistances as instructed by the Redemption Requesting Holders so as to enable the Company to have sufficient legally available funds or assets to pay the aggregate redemption payments to all Redemption Requesting Holders.

In the event of a Qualified **[REDACTED]** application to The Stock Exchange of Hong Kong Limited, the redemption rights any Preferred Shareholder is entitled to under the MOA upon occurrence of any of the Redemption Events described under (ii) to (vii) shall terminate prior to the date of the Qualified **[REDACTED]** application, while the redemption rights any Preferred Shareholder is entitled to under the MOA upon occurrence of the Redemption Event described under (i) shall terminate prior to the closing of a Qualified **[REDACTED]**.

(d) Liquidation preferences

Each of the following events shall be treated as a liquidation event (each a "**Liquidation Event**"), whether voluntary or involuntary: (i) the Company becomes bankrupt, goes into liquidation or is wound up, or is petitioned by a third party for the commencement of bankruptcy, liquidation or winding up proceedings, or becomes insolvent; (ii) the Company's business license or other material consent is revoked, invalidated or not renewed on expiry and the Company is ordered by any governmental authority to cease operating or any of the Company's material assets are confiscated, revoked or expropriated by any governmental authority, as a result of which the Company is unable to carry on its normal business; (iii) the Company suffers material losses or is unable to continue its operations as a result of force majeure and such condition continues for 180 days or more; or (iv) in the best interest of the Company and the members, all members unanimously agree to dissolve the Company.

Trade sale ("**Trade Sale**") shall mean any of the following events: (i) any consolidation, merger, amalgamation or reorganization of the Company with or into any other person, in which the shareholders of the Company immediately prior to such consolidation, merger, amalgamation or reorganization own less than fifty percent (50%) of the voting power of the Company immediately after such consolidation, merger, amalgamation or reorganization; or (ii) any sale, transfer or other disposition of all or substantially all of the operating assets or business of the Group Companies (taken as a whole), including the sale or exclusively licensing of all or substantially all of the intellectual properties of the Group Companies (taken as a whole) to a third party.

Upon occurrence of a Liquidation Event or a Trade Sale:

(i) Before any distribution or payment shall be made to the Series A Investors, the Angel Round Investors, the Ordinary Shares or any other class or series of Shares (other than the Series B Investors) by reason of their ownership of such Shares each Series B Investor shall be entitled to be paid out of the funds and assets of the Company legally available for distribution to its Shareholders, an amount per share equal to the greater of (the "**Series B Liquidation Amount**") (x) one hundred percent (100%) of the Original Series B Issue Price, plus an eight percent (8%) annual simple interest on the Original Series B Issue Price calculated from the Series B Deemed Issue Date to the date the Series B Liquidation Amount is fully paid to such holder of the Series B Preferred Shares and all dividends accrued or declared but unpaid with respect thereto (as adjusted for any share splits, share dividends, combinations, recapitalizations and similar transactions) in respect with each Series B Preferred Share then held by such holder, or (y) such amount per share as would have been payable had all Series B Preferred Shares been converted into Ordinary Shares immediately prior to such Liquidation Event or Trade Sale; If upon any such Liquidation Event or Trade Sale, the assets of the Company available for distribution to its Members is insufficient to pay the holders of the Series B Preferred Shares the full amount to which they shall be entitled under the MOA, the holders of Series B Preferred Shares shall share ratably in any distribution of the entire assets available for distribution in proportion to the number of Ordinary Shares that would be held by each such holder if all such Preferred Shares had been converted to Ordinary Shares immediately prior to such Liquidation Event or Trade Sale.

(ii) If there are any assets or funds remaining after the aggregate the Series B Liquidation Amount have been distributed or paid in full to the holders of Series B Preferred Shares pursuant to the MOA, before any distribution or payment shall be made to the Angel Round Investors, the Ordinary Shares or any other class or series of Shares (other than the Series B Preferred Shares and the Series A Preferred Shares) by reason of their ownership of such Shares, each holder of Series A Preferred Share shall be entitled to be paid out of the funds and assets of the Company legally available for distribution to its Shareholders, an amount per share equal to the greater of (the "**Series A Liquidation Amount**") (x) one hundred percent (100%) of the Original Series A Issue Price, plus an eight percent (8%) annual simple interest on the Original Series A Issue Price calculated from the Series A Deemed Issue Date to the date the Series A Liquidation Amount is fully

paid to such holder of the Series A Preferred Shares and all dividends accrued or declared but unpaid with respect thereto (as adjusted for any share splits, share dividends, combinations, recapitalizations and similar transactions) in respect of each Series A Preferred Share then held by such holder, or (y) such amount per share as would have been payable had all Series A Preferred Shares been converted into Ordinary Shares immediately prior to such Liquidation Event or Trade Sale. If upon any such Liquidation Event or Trade Sale, the remaining assets of the Company available for distribution to its Members shall be insufficient to pay the holders of the Series A Preferred Shares the full amount to which they shall be entitled under the MOA, the holders of Series A Preferred Shares shall share ratably in any distribution of the entire assets available for distribution in proportion to the number of Ordinary Shares that would be held by each such holder if all such Preferred Shares had been converted to Ordinary Shares immediately prior to such Liquidation Event or Trade Sale.

(iii) If there are any assets or funds remaining after the aggregate Series B Liquidation Amount and Series A Liquidation Amount have been distributed or paid in full to the holders of Series B Preferred Shares and the holders of Series A Preferred Shares pursuant to the MOA, before any distribution or payment shall be made to the holders of the Ordinary Shares or any other class or series of Shares (other than the shares held by the Series B Investors the Series A Investors and the Angel Round Investors) by reason of their ownership of such Shares, each Angel Round Investors shall be entitled to be paid out of the funds and assets of the Company legally available for distribution to its Shareholders, an amount per share equal to (the "**Series Angel Liquidation Amount**") one hundred percent (100%) of the Original Series Angel Issue Price (as adjusted for any share splits, share dividends, combinations, recapitalizations and similar transactions) in respect of each Series Angel Preferred Share then held by such holder. If upon any such Liquidation Event or Trade Sale, the remaining assets of the Company available for distribution to its Members shall be insufficient to pay the Angel Round Investors the full amount to which they shall be entitled under the MOA, the Angel Round Investors shall share ratably in any distribution of the entire assets available for distribution in proportion to the number of Ordinary Shares that would be held by each such holder if all such Preferred Shares had been converted to Ordinary Shares immediately prior to such Liquidation Event or Trade Sale.

(iv) After distribution or payment in full of the amount distributable or payable on the shares held by Series B Investors, the Series A Investors and the Angel Round Investors pursuant to the MOA, the remaining assets of the Company available for distribution to Members, if any, shall be distributed ratably among the holders of outstanding Ordinary Shares and Preferred Shares (including Series B Investors, Series A Investors and Angel Round Investors) on a pro rata basis, based on the number of Ordinary Shares then held by each holder on a fully-diluted and as-converted basis.

Except for the redemption rights, all other rights set forth above shall terminate upon the consummation of a Qualified **[REDACTED]** by the Company.

The movements of the financial instruments with preferred rights are set out as below:

	Financial instruments with preferred rights
	RMB'000
As at 1 January 2022	247,191
Subscription for the financial instruments with preferred rights of Suzhou Zephyrm	12,802
Changes in fair value	79,460
As at 31 December 2022	339,453
As at 1 January 2023	339,453
Subscription for the financial instruments with preferred rights of Suzhou Zephyrm	339,546
Changes in fair value	60,524
As at 31 December 2023	739,523
As at 1 January 2024	739,523
Subscription for the financial instruments with preferred rights of Suzhou Zephyrm	32,800
Changes in fair value	28,620
As at 30 June 2024	800,943

The valuation method and key assumptions used to arrive the fair value of the financial instruments with preferred rights as of the dates of issuance and at the end of each reporting year/period were disclosed in Note 3.3(a).

28 LONG TERM PAYABLES

	As at 31 December		As at 30 June
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Payables to the Strategic Collaborators	25,000	199,863	205,083
Less: current portion *(Note 24)*	(25,000)	(19,900)	(34,377)
Long-term payables	–	179,963	170,706

As mentioned in Note 15, the Group entered into a series of collaboration agreements with the Strategic Collaborators. Pursuant to the Agreements, the Group is required to make various payments to the Strategic Collaborators, including upfront payments, research payments, milestone payments, and royalty payments, in accordance with the payment pattern on schedule as set out in the respective arrangements.

The carrying amounts of payables to Strategic Collaborators as at each year/period end of the Track Record Period represents outstanding payables to the Strategic Collaborators pursuant to the Agreements governing the licensed-in arrangements as detailed in Note 15.

29 Convertible loan

	As at 31 December		As at 30 June
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Convertible loan	21,546	–	–

Pursuant to a convertible loan agreement dated 12 December 2022 ("**Convertible Loan Agreement**"), Beijing Yingshi Phase II and Jiaxing Chenyue agreed to provide convertible loan of RMB20 million and RMB50 million, respectively to Suzhou Zephyrm. The major terms and conditions of the convertible loan are set out as follows:

i) Interest rate

If the conversion conditions were met, Beijing Yingshi Phase II and Jiaxing Chenyue had the right to convert loans provided by them into capital injection in Suzhou Zephyrm, and Suzhou Zephyrm should not need to pay any interest. Otherwise, Suzhou Zephyrm should pay a simple interest rate at 8% per annum with a loan maturity date of 30 June 2023.

ii) Conversion feature

If the conversion conditions were met, at the sole discretion of Beijing Yingshi Phase II and Jiaxing Chenyue, all of Principle Amount (collectively "**Conversion Amount**") could be converted into the capital injection in Suzhou Zephyrm at conversion price as agreed in the Convertible Loan Agreement.

Pursuant to the Convertible loan Agreement, Beijing Yingshi Phase II provided Suzhou Zephyrm with a convertible loan amounting to RMB20,000,000 in 2022. The Company recognized the convertible loan as financial liabilities measured at fair value through profit or loss and the fair value of which amounted to approximately RMB21,546,000 as at 31 December 2022. Jiaxing Chenyue provided Suzhou Zephyrm with a convertible loan of RMB50,000,000 in March 2023.

Pursuant to the Convertible Loan Agreement, in the year of 2023, Beijing Yingshi Phase II and Jiaxing Chenyue have converted the aforementioned loans into registered capital with preferred rights of Suzhou Zephyrm of RMB321,022 and RMB802,555, respectively. The registered capital with preferred rights were accounted for as financial instruments with preferred rights measured at fair value.

30 NOTES TO COMBINED STATEMETNS OF CASH FLOW

(a) Cash used in operations

	Year ended 31 December		Six months ended 30 June	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Loss before income tax	(172,764)	(196,017)	(76,327)	(236,585)
Adjustments for:				
– Non-cash share-based payment expenses	–	–	–	129,180
– Depreciation of property, plant and equipment	5,295	2,830	1,852	515
– Amortization of right-of-use assets and intangible assets	9,607	10,861	4,681	10,810
– Financial costs	3,196	3,185	1,205	6,649
– Net fair value losses on convertible loan	1,546	–	–	–
– Net fair value losses on financial instruments with preferred rights	79,460	60,524	22,895	28,620
– Indication research related fee	–	28,779	–	–
– (Increase)/decrease in inventories	(1,292)	900	(1,155)	589
– Increase in other receivables and prepayments	(1,943)	(6,771)	(2,596)	(977)
– (Decrease)/Increase in trade payables	(14,225)	(6,938)	(5,738)	7,772
– Increase in accruals and other payables	32,195	3,311	786	4,458
– Changes in deferred income	–	(2,155)	–	14
– Others	39	41	–	–
Cash used in operations	(58,886)	(101,450)	(54,397)	(48,955)

(b) Non-cash financing activities

	Year ended 31 December		Six months ended 30 June	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Acquisition of licensed-in know-how involve long-term payment arrangements *(Note 15 and 28)*	–	170,745	–	–
Acquisition of right-of-use assets and increase in lease liabilities *(Note 14)*	–	26,480	–	5,191
Conversion of convertible loan to preferred shares	–	21,546	–	–
	–	218,771	–	5,191

(c) Net debt reconciliation

Net debt reconciliation is shown below:

	Lease liabilities	Long-term payables	Borrowings	Financial instruments with preferred rights	Convertible loan	Advance from investors	Total debts
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022	10,285	23,890	15,000	247,191	–	–	296,366
Cash flows	(4,504)	–	8,330	12,802	20,000	8,500	45,128
Interest expenses	340	1,110	670	–	–	–	2,120
Changes in fair value	–	–	–	79,460	1,546	–	81,006
Non-cash movements	(1,195)	–	–	–	–	–	(1,195)
At 31 December 2022	4,926	25,000	24,000	339,453	21,546	8,500	423,425
Cash flows	(5,907)	(25,000)	2,435	309,500	–	–	281,028
Additions	26,480	199,524	–	–	–	–	226,004
Interest expenses	499	339	1,444	–	–	–	2,282
Changes in fair value	–	–	–	60,524	–	–	60,524
Non-cash movements	(777)	–	–	30,046	(21,546)	(8,500)	(777)
At 31 December 2023	25,221	199,863	27,879	739,523	–	–	992,486
Cash flows	(2,896)	–	1,489	32,800	–	–	31,393
Additions	5,191	–	–	–	–	–	5,191
Interest expenses	718	5,220	632	–	–	–	6,570
Changes in fair value	–	–	–	28,620	–	–	28,620
Non-cash movements	(1,370)	–	–	–	–	–	(1,370)
At 30 June 2024	26,864	205,083	30,000	800,943	–	–	1,062,890
(Unaudited)							
At 1 January 2023	4,926	25,000	24,000	339,453	21,546	8,500	423,425
Cash flows	(2,218)	–	(6,335)	121,500	–	–	112,947
Interest expenses	90	–	585	–	–	–	675
Changes in fair value	–	–	–	22,895	–	–	22,895
Non-cash movements	(778)	–	–	30,046	(21,546)	(8,500)	(778)
At 30 June 2023	2,020	25,000	18,250	513,894	–	–	559,164

31 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related because they are subject to common control, common significant influence or joint control in the controlling shareholder's families. Members of key management and their close family member of the Group are also considered as related parties.

The executive directors are of the view that the following parties that had transactions or balances with the Group are related parties:

Name	Relationship with the Group
北京澤輝同創科技中心(有限合夥) ("**澤輝同創**")	Shareholder of Suzhou Zephyrm
北京祥景科創科技有限公司 ("**祥景科創**")	Shareholder of Suzhou Zephyrm
北京贏晟富坤生物科技合夥企業 ("**贏晟富坤**")	Shareholder of Suzhou Zephyrm
北京贏實二期生物科技合夥企業(有限合夥) ("**贏實二期**")	Shareholder of Suzhou Zephyrm
北京居合科技發展有限公司 ("**居合科技**")	Significant influenced by key management personnel
北京智盟嘉業科技有限公司 ("**智盟嘉業**")	Entity controlled by 居合科技
Mr. DONG Xin (董鑫)	key management personnel

The following significant transactions were carried out between the Group and its related parties during the Track Record Period. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(a) Transactions with related parties

	Year ended 31 December		Six months ended 30 June	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Guarantee from key management personnel – Bank loans	10,000	12,879	15,000	15,000
Counter-guarantee from key management personnel – Bank loans	14,000	15,000	3,250	15,000
Purchase of right-of-use assets from 居合科技	–	11,678	–	–
Lease payments to 智盟嘉業	–	682	–	1,364
Convertible loan obtained from 贏實二期	21,546	–	–	–

(b) Loans from related parties

Loans from key management personnel

	Year ended 31 December		Six months ended 30 June	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Beginning of the year/period	–	2,929	2,929	–
Loans advanced	4,950	–	–	–
Loan repayments made	(2,021)	(2,929)	(2,929)	–
Interest charged	–	124	124	–
Interest paid	–	(124)	(124)	–
End of year/period	2,929	–	–	–

Loans from other related parties

	Year ended 31 December		Six months ended 30 June	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Beginning of the year/period	–	23,000	23,000	–
Loans advanced	23,000	–	–	–
Loan repayments made	–	(23,000)	(14,500)	–
Interest charged	397	445	332	–
Interest paid	(397)	(445)	(332)	–
End of year/period	23,000	–	8,500	–

(c) Balances with related parties

	As at 31 December		As at 30 June
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Amounts due from related parties			
Other receivables from:			
－澤輝同創	20	20	6,020
－祥景科創	10	10	10,410
－智盟嘉業	–	–	716
	30	30	17,146

	As at 31 December		As at 30 June
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Amounts due to related parties			
Other payables to:			
－Mr. DONG Xin	2,929	10	–
－居合科技	23,000	–	–
－贏晟富坤	8,500	–	–
	34,429	10	–
Convertible loan obtained of 贏實二期	21,546	–	–
Lease liabilities owing to 智盟嘉業	–	11,162	10,120

(d) Key management compensation

Key management includes directors and senior managements. The compensation paid or payable to key management for employee services was shown below:

	Year ended 31 December		Six months ended 30 June	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Salaries, bonuses and other benefits	3,805	3,790	1,953	1,812
Social security costs and housing benefits	375	411	199	212
Share-based payment expenses *(Note 26)*	–	–	–	129,180
	4,180	4,201	2,152	131,204

32 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive for the years ended 31 December 2022 and 2023 and the six months ended 30 June 2023 and 2024, were set out below:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking					
	Salaries	Discretionary bonuses	Allowances and benefits in kind	Employer's contribution to a retirement benefit scheme	Share-based compensation expenses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 December 2022						
Chairman and Executive directors						
Dr. Yu Alex ZHANG	802	200	179	58	–	1,239
Executive directors						
Mr. DONG Xin (董鑫)	802	200	88	58	–	1,148
Dr. JIA Yi (賈懿)	1,280	320	135	58	–	1,793
Independent non-executive directors						
Dr. William CAO (曹衛)	–	–	–	–	–	–
Dr. Frank JIANG	–	–	–	–	–	–
Dr. TANG Qiqun (湯其群)	–	–	–	–	–	–
Dr. HU Danqi (胡丹琪)	–	–	–	–	–	–
Non-executive Director						
Mr. WANG Bangyuan(王邦源)	–	–	–	–	–	–
Ms. LI Li (李黎)	–	–	–	–	–	–
Ms. ZHANG Xiaoge (張曉舸)	–	–	–	–	–	–
Mr. CHEN Hongwu (陳洪武)	–	–	–	–	–	–
Mr. YU Xiang (于翔)	–	–	–	–	–	–
	2,884	720	402	174	–	4,180

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking					
	Salaries	Discretionary bonuses	Allowances and benefits in kind	Employer's contribution to a retirement benefit scheme	Share-based compensation expenses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 December 2023						
Chairman and Executive directors						
Dr. Yu Alex ZHANG	802	200	189	63	–	1,254
Executive directors						
Mr. DONG Xin (董鑫)	802	200	96	63	–	1,161
Dr. JIA Yi (賈懿)	1,280	320	123	63	–	1,786
Independent non-executive directors						
Dr. William CAO (曹衛)	–	–	–	–	–	–
Dr. Frank JIANG	–	–	–	–	–	–
Dr. TANG Qiqun (湯其群)	–	–	–	–	–	–
Dr. HU Danqi (胡丹琪)	–	–	–	–	–	–
Non-executive Director						
Mr. WANG Bangyuan (王邦源)	–	–	–	–	–	–
Ms. LI Li (李黎)	–	–	–	–	–	–
Ms. ZHANG Xiaoge (張曉舸)	–	–	–	–	–	–
Mr. CHEN Hongwu (陳洪武)	–	–	–	–	–	–
Mr. YU Xiang (于翔)	–	–	–	–	–	–
	2,884	720	408	189	–	4,201
For the six months ended 30 June 2024						
Chairman and Executive directors						
Dr. Yu Alex ZHANG	401	100	25	33	–	559
Executive directors						
Mr. DONG Xin (董鑫)	401	100	49	33	114,175	114,758
Dr. JIA Yi (賈懿)	640	160	49	33	15,005	15,887
Independent non-executive directors						
Dr. William CAO (曹衛)	–	–	–	–	–	–
Dr. Frank JIANG	–	–	–	–	–	–
Dr. TANG Qiqun (湯其群)	–	–	–	–	–	–
Dr. HU Danqi (胡丹琪)	–	–	–	–	–	–
Non-executive Director						
Mr. WANG Bangyuan (王邦源)	–	–	–	–	–	–
Ms. LI Li (李黎)	–	–	–	–	–	–
Ms. ZHANG Xiaoge (張曉舸)	–	–	–	–	–	–
Mr. CHEN Hongwu (陳洪武)	–	–	–	–	–	–
Mr. YU Xiang (于翔)	–	–	–	–	–	–
	1,442	360	123	99	129,180	131,204

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking					
	Salaries	Discretionary bonuses	Allowances and benefits in kind	Employer's contribution to a retirement benefit scheme	Share-based compensation expenses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the six months ended 30 June 2023 (Unaudited)						
Chairman and Executive directors						
Dr. Yu Alex ZHANG	401	100	164	31	–	696
Executive directors						
Mr. DONG Xin (董鑫)	401	100	47	31	–	579
Dr. JIA Yi (賈懿)	640	160	46	31	–	877
Independent non-executive directors						
Dr. William CAO (曹衛)	–	–	–	–	–	–
Dr. Frank JIANG	–	–	–	–	–	–
Dr. TANG Qiqun (湯其群)	–	–	–	–	–	–
Dr. HU Danqi (胡丹琪)	–	–	–	–	–	–
Non-executive Director						
Mr. WANG Bangyuan (王邦源)	–	–	–	–	–	–
Ms. LI Li (李黎)	–	–	–	–	–	–
Ms. ZHANG Xiaoge (張曉舸)	–	–	–	–	–	–
Mr. CHEN Hongwu (陳洪武)	–	–	–	–	–	–
Mr. YU Xiang (于翔)	–	–	–	–	–	–
	1,442	360	257	93	–	2,152

Dr. Yu Alex ZHANG was appointed as the chief executive officer and chairman of the board and the executive director of the Company on 29 September 2024.

Mr. DONG Xin was appointed as a chief financial officer and the executive Director of the Company on 29 September 2024.

Dr. JIA Yi was appointed as an executive director of the Company on 29 September 2024.

Dr. William CAO, Dr. Frank JIANG, Dr. TANG Qiqun and Dr. HU Danqi were appointed as the independent non-executive directors of the Company on 29 September 2024 with his appointment taking effect from the **[REDACTED]**, which was expected to be on or about **[REDACTED]**, on which the shares are **[REDACTED]** on the Stock Exchange and **[REDACTED]** in the Shares on the Main Board first commence.

Mr. WANG Bangyuan, Ms. LI Li, Ms. ZHANG Xiaoge, Mr. CHEN Hongwu and Mr. YU Xiang were appointed as the non-executive directors of the Company on 29 September 2024.

No directors waived or agreed to waive any emoluments during the Track Record Period. No emoluments were paid to directors as an inducement to join or upon joining the Group or as compensation for loss of office during the Track Record Period.

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year/period or at any time during the years ended 31 December 2022 and 2023 and the six months ended 30 June 2023 and 2024.

33 EVENTS OCCURRING AFTER THE REPORTING PERIOD

Subsequent to 30 June 2024, the following subsequent events took place:

(a) Clarification of collaboration Arrangement with Institute of Zoology, CAS (中國科學院動物研究所) and Beijing Institute for Stem Cell and Regeneration (北京幹細胞與再生醫學研究院)

In September 2024, the Group entered into supplemental agreement with the Institute of Zoology, CAS (中國科學院動物研究所) and Beijing Institute for Stem Cell and Regeneration (北京幹細胞與再生醫學研究院) to clarify certain collaboration arrangements as mentioned in Note 15.

(b) Share Subdivision

On 4 July 2024, the then Shareholder of the Company passed an ordinary resolution to approve share subdivision, pursuant to which, every issued and unissued ordinary Share of US$0.0001 par value was subdivided into 1,000,000,000 ordinary shares of the Company with par value of US$0.00005 par value each. The shareholding percentages of the then Shareholder remained unchanged after the share subdivision. For details, please refer to Note 1.2 to this Historical Financial Information.

(c) Offshore Reorganization

On 29 September, 2024, the Company repurchased the two Shares held by Zephyrm Holding Limited. On 29 September, 2024, the Company allotted and issued Shares to the then shareholders of Suzhou Zephyrm or their respective designated entities in order to mirror their respective shareholding in Suzhou Zephyrm at par value per Share. For details, please refer to Note 1.2 to this Historical Financial Information.

(d) Employee Incentive Scheme

In anticipation of the **[REDACTED]**, in September 2024, the Company resolved to adopt the 2024 RSU Plan. The grantees of the 2024 RSU Plan are employees of the Group. The purpose of the 2024 RSU Plan is to enable the Company to incentive and reward eligible participants for their contribution to the Group. To implement the 2024 RSU Plan, the Company established a trust with Core Trust Company Limited (匯聚信託有限公司) as the trustee. Zephyrm Tongchuang Phase II Holding was incorporated as an employee incentive platform in BVI. All RSU under the 2024 RSU Plan have been granted. As of the date of this Historical Financial Information, Zephyrm Tongchuang Phase II Holding held 16,018,354 Shares and there are no outstanding Shares under the 2024 RSU Plan. The Group will recognize share-based payment expenses in relation to the 2024 RSU Plan in its profit and loss according to the estimation of the management of the Company.

34 DIVIDEND

No dividend has been paid or declared by the Company during the years ended 31 December 2022 and 2023 and 30 June 2024 and the six months ended 30 June 2024.

35 CONTINGENCIES

As at 31 December 2022 and 2023 and 30 June 2024, there were no significant contingencies items for the Group and the Company.

36 SUMMARY OF ACCOUNTING POLICES

This note provides a list of accounting policies adopted in the preparation of the Historical Financial Information. These policies have been consistently applied to all the years presented, unless otherwise stated. The Historical Financial Information are for the Group consisting of the Company and its subsidiaries (including the Consolidated Affiliated Entities).

36.1 Summary of material accounting policies

36.1.1 Principles of consolidation and combination

(a) Subsidiaries

Subsidiaries are all entities (including controlled entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised loss are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Subsidiaries controlled through Contractual Arrangements

There are entities controlled by the Group under Contractual Arrangements. The Group does not have legal ownership in equity of these structured entities or their subsidiaries. Nevertheless, under Contractual Arrangements entered into with the registered owners of these structured entities, the Company and its other legally owned subsidiaries control these companies by way of controlling the voting rights, governing their financial and operating policies, appointing or removing the majority of the members of their controlling authorities, and casting the majority of votes at meetings of such authorities. Accordingly, the Group has rights to exercise power over these structured entities, receives variable returns from its involvement in these structured entities, and has the ability to affect those returns through its power over these structured entities. As a result, they are presented as Consolidated Affiliated Entities of the Group, and their assets, liabilities and results are consolidated in the Historical Financial Information.

36.1.2 Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than 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 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 post-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 each of the reporting year/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 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/amortization) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the consolidated statements of profit or loss in the period in which it arises.

36.1.3 Intangible assets

Intangible assets with finite useful lives, which are acquired separately, are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives when the assets are available for use. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

36.1.4 Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributed to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Group assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

36.1.5 Financial instruments with preferred rights

The preferred shares issued by the Company are redeemable at the option of the holder upon occurrence of certain events. These instruments can also be converted into ordinary shares of the Company at any time at the option of the holders, or automatically upon the closing of a Qualified **[REDACTED]**, see Note 27 for details.

The Group designated the financial instruments with preferred rights as financial liabilities at fair value through profit or loss. They are initially recognised at fair value. Fair value changes relating to market risk are recognised in profit or loss, the component of fair value changes relating to the Company's own credit risk is recognised in other comprehensive income. Amounts recorded in other comprehensive income related to credit risk are not subject to recycling in profit or loss, but are transferred to accumulated losses when realised.

The financial instruments with preferred rights were classified as current liabilities if the holders of the relevant preferred shares can demand the Company to redeem the preferred shares in cash within 12 months after the end of the reporting period.

If the conversion feature of financial instruments cannot be classified as equity, although the terms of the liability could result in settlement in the issuer's own equity instruments, because that alternative is not classified as an equity instrument, the terms of the convertible feature are taken into account in the classification of the liability. The instrument can be called by the holder at any time in the next 12 months; the liability will therefore be classified as current.

36.1.6 Share-based payment

During the Track Record Period, certain equity interests of Suzhou Zephyrm held through Zephyrm Tongchuang was transferred by Ms. JIN Yun, as one of the Controlling Shareholders, to certain employees at the consideration of RMB1 per share and vested immediately on the respective dates of transfer with the objective to incentivize employees for their contribution to the Group. On the respective dates of transfer, the difference between the fair values and the consideration of the shares transferred was recognized as employee benefit expenses, with corresponding increases for the same amounts in equity. Further details are included in Note 26 to this Historical Financial Information.

36.1.7 Leases

The Company 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.

The Company apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognize lease liabilities to make lease payments and right of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

The Company recognize right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, 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:

– Properties	3–5 years
– Land use right	50 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 by using the estimated useful lives of the related assets.

(b) Lease liabilities

Lease liabilities are recognized 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 us and payments of penalties for terminating the lease, if the lease term reflects our exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognized as expenses 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 the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the 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 machinery and equipment (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 recognized as an expense on a straight-line basis over the lease term.

36.2 Summary of other accounting policies

36.2.1 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

– Office equipment and furniture	3–5 years
– Instruments	3–5 years
– Leasehold improvements	Shorter of remaining lease term or estimated useful lives

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other gains/(losses) – net in the Historical Financial Information.

36.2.2 Inventories

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Cost includes the reclassification from equity of any gains or losses on qualifying cash flow hedges relating to purchases of raw material but excludes borrowing costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

36.2.3 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

36.2.4 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year/period which are unpaid. They are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

36.2.5 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in profit or loss as finance costs.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

36.2.6 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

36.2.7 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred income tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. However, deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred income tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset where there is a legally enforceable right to offset current income tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current income tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred income tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2024. No dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2024.

The information set out in this Appendix does not form part of the "Accountant's Report" from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set out in Appendix I in this document, and is included herein for illustrative purposes only.

The unaudited **[REDACTED]** *financial information should be read in conjunction with the section headed "Financial Information" and "Appendix I – Accountant's Report."*

A. UNAUDITED [REDACTED] STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative statement of the unaudited **[REDACTED]** adjusted combined net tangible assets which has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the **[REDACTED]** as if it had taken place on June 30, 2024 and based on the combined net tangible liabilities attributable to the owners of the Company as at June 30, 2024 as shown in the Accountant's Report, the text of which is set out in Appendix I to this document, and adjusted as described below.

This unaudited **[REDACTED]** adjusted combined net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the **[REDACTED]** been completed as at June 30, 2024 or at any future date.

	Audited combined net tangible liabilities attributable to the owners of the Company as at June 30, 2024	**Estimated [REDACTED] from the [REDACTED]**	**Estimated impact related to the conversion of the Preference Shares upon [REDACTED]**	**Unaudited [REDACTED] adjusted combined net tangible assets attributable to the owners of the Company**	**Unaudited [REDACTED] adjusted combined net tangible assets per share**	
	Note 1	*Note 2*	*Note 3*		*Note 4*	*Note 5*
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB*	*HK$*
Based on the [REDACTED] of HK$[REDACTED] per share	(892,322)	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Based on the [REDACTED] of HK$[REDACTED] per share	(892,322)	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

Notes:

(1) The audited combined net tangible liabilities attributable to the owners of the Company as at June 30, 2024 is extracted from the Accountant's Report set forth in Appendix I to the document, which is based on the audited combined net liabilities attributable to the owners of the Company as at June 30, 2024 of RMB655,657,000 with an adjustment for the intangible assets as at June 30, 2024 of RMB236,665,000.

(2) The estimated **[REDACTED]** from the **[REDACTED]** are based on the indicative **[REDACTED]** of HK$**[REDACTED]** and HK$**[REDACTED]** per share after deduction of the estimated **[REDACTED]** fees and other related expenses payable by the Company (excluding RMB**[REDACTED]** which had been charged to the combined statements of profit or loss and other comprehensive income up to June 30, 2024), without taking into account any shares which may be issued upon the exercise of the **[REDACTED]**.

(3) Upon the **[REDACTED]** and the completion of the **[REDACTED]**, all the Preference Shares will be automatically converted into ordinary shares. These Preference Shares will be re-designated from liabilities to equity. Accordingly, for the purpose of the unaudited **[REDACTED]** financial information, the unaudited **[REDACTED]** adjusted combined net tangible assets attributable to the owners of the Company will be increased by RMB**[REDACTED]**, being the carrying amounts of the Preference Shares as at June 30, 2024.

(4) The unaudited **[REDACTED]** adjusted combined net tangible assets per share are determined after the adjustments as described in note (2) above and on the basis that **[REDACTED]** shares are in issue, assuming the **[REDACTED]** had been completed on June 30, 2024, without taking into account any shares which may fall to be issued upon the exercise of the **[REDACTED]**.

(5) For the purpose of this unaudited **[REDACTED]** adjusted net tangible assets, the balance stated in Renminbi is converted into Hong Kong dollars at a rate of HK$1.00 to RMB[0.9066], as set out in "Information about this document and the **[REDACTED]**" to this document. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

(6) No adjustments have been made to the unaudited **[REDACTED]** adjusted combined net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to June 30, 2024.

[REDACTED]

[REDACTED]

[REDACTED]

The estimated loss attributable to owners of our Company for the year ended December 31, 2024 is set out in "Financial Information – Loss Estimate for the Year Ended December 31, 2024" in this document.

A. BASES

Our Directors have prepared the estimated loss attributable to owners of our Company for the year ended December 31, 2024 (the "**Loss Estimate**") based on the audited combined results of our Group for the [•] months ended [•], 2024 and an estimate of the combined results of our Group for the remaining [•] months ended December 31, 2024. The Loss Estimate has been prepared on the basis of the accounting policies consistent in all material aspects with those currently we adopted as summarised in the Accountant's Report set out in Appendix I to this document.

[REDACTED]

[REDACTED]

[REDACTED]

Set out below is a summary of certain provisions of the constitution of the Company and certain aspects of the company laws of the Cayman Islands.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 15 September 2021 under the Companies Act. The Company's constitutional documents consist of the Memorandum of Association and the Articles of Association.

1. MEMORANDUM OF ASSOCIATION

The Memorandum provides, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted (and therefore include acting as an investment holding company) and that the Company shall have full power and authority to carry out any object not prohibited by the Companies Act or any other law of the Cayman Islands.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on [•] and will become effective on the **[REDACTED]**. A summary of certain provisions of the Articles is set out below.

2.1 Shares

(a) Classes of Shares

The share capital of the Company consists of a single class of ordinary shares.

(b) Variation of Rights of Existing Shares or Classes of Shares

If at any time the share capital of the Company is divided into different classes of Shares, all or any of the rights attached to any class of Shares for the time being issued (unless otherwise provided by the terms of issue of the Shares of that class) may, whether or not the Company is being wound up, be varied with the consent in writing of the holders of at least three-fourths of the issued Shares of that class, or with the approval of a resolution passed by at least three-fourths of the votes cast by the holders of the Shares of that class present and voting in person or by proxy at a separate meeting of such holders. The provisions of the Articles relating to general meetings shall apply mutatis mutandis to every such separate meeting, except that the necessary quorum shall be two persons together holding (or, in the case of a member being a corporation, by its duly authorised representative), or representing by proxy, at least one-third of the issued Shares of that class. Every holder of Shares of the class shall be entitled on a poll to one vote for every such Share held by him, and any holder of Shares of the class present in person or by proxy may demand a poll.

For the purposes of a separate class meeting, the Board may treat two or more classes of Shares as forming one class of Shares if the Board considers that such classes of Shares would be affected in the same way by the proposals under consideration, but in any other case shall treat them as separate classes of Shares.

Any rights conferred upon the holders of Shares of any class shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of the Shares of that class, be deemed to be varied by the creation or issue of further Shares ranking pari passu therewith.

(c) Alteration of Capital

The Company may by ordinary resolution:

(i) increase its share capital by the creation of new Shares of such amount and with such rights, priorities and privileges attached to such Shares as it may determine;

(ii) consolidate and divide all or any of its share capital into Shares of a larger amount than its existing Shares. On any consolidation of fully paid Shares and division into Shares of a larger amount, the Board may settle any difficulty which may arise as it thinks expedient and, in particular (but without prejudice to the generality of the foregoing), may as between the holders of Shares to be consolidated determine which particular Shares are to be consolidated into a consolidated Share, and if it shall happen that any person shall become entitled to fractions of a consolidated Share or Shares, such fractions may be sold by some person appointed by the Board for that purpose and the person so appointed may transfer the Shares so sold to the purchaser(s) thereof and the validity of such transfer shall not be questioned, and the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated Share or Shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

(iii) sub-divide its Shares or any of them into Shares of an amount smaller than that fixed by the Memorandum; and

(iv) cancel any Shares which, as at the date of passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the Shares so cancelled.

The Company may by special resolution reduce its share capital or any undistributable reserve, subject to the provisions of the Companies Act.

(d) Transfer of Shares

Subject to the terms of the Articles, any member of the Company may transfer all or any of his Shares by an instrument of transfer. If the Shares in question were issued in conjunction with rights, options, warrants or units issued pursuant to the Articles on terms that one cannot be transferred without the other, the Board shall refuse to register the transfer of any such Share without evidence satisfactory to it of the like transfer of such right, option, warrant or unit.

Subject to the Articles and the requirements of the Stock Exchange, all transfers of Shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a recognised clearing house or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a Share until the name of the transferee is entered in the register of members of the Company in respect of that Share.

Subject to the provisions of the Companies Act, if the Board considers it necessary or appropriate, the Company may establish and maintain a branch register or registers of members at such location or locations within or outside the Cayman Islands as the Board thinks fit. The Board may, in its absolute discretion, at any time transfer any Share on the principal register to any branch register or any Share on any branch register to the principal register or any other branch register.

The Board may, in its absolute discretion, decline to register a transfer of any Share (not being a fully paid Share) to a person of whom it does not approve or on which the Company has a lien, or a transfer of any Share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any Share to more than four joint holders. It may also decline to recognise any instrument of transfer if the proposed transfer does not comply with the Articles or any requirements of the Listing Rules.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of Share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules and the relevant section of the Companies Ordinance, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

Fully paid Shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(e) Redemption of Shares

Subject to the provisions of the Companies Act, the Listing Rules and any rights conferred on the holders of any Shares or attaching to any class of Shares, the Company may issue Shares that are to be redeemed or are liable to be redeemed at the option of the members or the Company. The redemption of such Shares shall be effected in such manner and upon such other terms as the Company may by special resolution determine before the issue of such Shares.

(f) Power of the Company to Purchase its own Shares

Subject to the Companies Act, or any other law or so far as not prohibited by any law and subject to any rights conferred on the holders of any class of Shares, the Company shall have the power to purchase or otherwise acquire all or any of its own Shares (which includes redeemable Shares), provided that the manner and terms of purchase have first been authorised by ordinary resolution and that any such purchase shall only be made in accordance with the relevant code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong from time to time in force.

(g) Power of any Subsidiary of the Company to own Shares in the Company

There are no provisions in the Articles relating to the ownership of Shares in the Company by a subsidiary.

(h) Calls on Shares and Forfeiture of Shares

Subject to the terms of allotment and issue of any Shares (if any), the Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the Shares held by them (whether in respect of par value or share premium). A member who is the subject of the call shall (subject to receiving at least 14 clear days' notice specifying the time or times for payment) pay to the Company at the time or times so specified the amount called on his Shares. A call may be made payable either in one sum or

by instalments, and shall be deemed to have been made at the time when the resolution of the Board authorising such call was passed. The joint holders of a Share shall be severally as well as jointly liable for the payment of all calls and instalments due in respect of such Share.

If a call remains unpaid after it has become due and payable, the member from whom the sum is due shall pay interest on the unpaid amount at such rate as the Board shall determine (together with any expenses incurred by the Company as a result of such non-payment) from the day it became due and payable until it is paid, but the Board may waive payment of such interest or expenses in whole or in part.

If a member fails to pay any call or instalment of a call after it has become due and payable, the Board may, for so long as any part of the call or instalment remains unpaid, give to such member not less than 14 clear days' notice requiring payment of the unpaid amount together with any interest which may have accrued and which may still accrue up to the date of payment (together with any expenses incurred by the Company as a result of such non-payment). The notice shall specify a further day on or before which the payment required by the notice is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the Shares in respect of which the call was made will be liable to be forfeited.

If such notice is not complied with, any Share in respect of which the notice was given may, before the payment required by the notice has been made, be forfeited by a resolution of the Board. Such forfeiture shall include all dividends, other distributions and other monies payable in respect of the forfeited Share and not paid before the forfeiture.

A person whose Shares have been forfeited shall cease to be a member in respect of the forfeited Shares, shall surrender to the Company for cancellation the certificate(s) for the Shares forfeited and shall remain liable to pay to the Company all monies which, as at the date of forfeiture, were payable by him to the Company in respect of the Shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until the date of payment as the Board may determine and any expenses incurred by the Company as a result of such non-payment.

2.2 Directors

(a) Appointment, Retirement and Removal

The Company may by ordinary resolution of the members elect any person to be a Director. The Board may also appoint any person to be a Director at any time, either to fill a casual vacancy or as an additional Director subject to any maximum number fixed by the members in general meeting or the Articles. Any Director so appointed shall hold office only until the first annual general meeting of the Company after his appointment and shall then be

eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The members may by ordinary resolution remove any Director (including a managing or executive Director) before the expiration of his term of office, notwithstanding anything in the Articles or any agreement between the Company and such Director, and may by ordinary resolution elect another person in his stead. Nothing shall be taken as depriving a Director so removed of any compensation or damages payable to such Director in respect of the termination of his appointment as Director or of any other appointment or office as a result of the termination of his appointment as Director.

The office of a Director shall be vacated if:

(i) the Director gives notice in writing to the Company that he resigns from his office as Director;

(ii) the Director is absent, without being represented by proxy or an alternate Director appointed by him, for a continuous period of 12 months without special leave of absence from the Board, and the Board passes a resolution that he has by reason of such absence vacated his office;

(iii) the Director becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(iv) the Director dies or an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Board resolves that his office be vacated;

(v) the Director is prohibited from being or ceases to be a Director by operation of law;

(vi) the Director has been required by the Stock Exchange to cease to be a Director or no longer qualifies to be a Director pursuant to the Listing Rules; or

(vii) the Director is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

At each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation. If the number of Directors is not a multiple of three, then the number nearest to but not less than one-third shall be the number of retiring Directors, provided that every Director shall be subject to retirement by rotation at least once every three years. The Directors to retire at each annual general meeting shall be those who have been in office longest since their last re-election or appointment and, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

(b) Power to Allot and Issue Shares and other Securities

Subject to the provisions of the Companies Act, the Memorandum and Articles and, where applicable, the Listing Rules, and without prejudice to any rights or restrictions for the time being attached to any Shares, the Board may allot, issue, grant options over or otherwise dispose of Shares with or without preferred, deferred or other rights or restrictions, whether with regard to dividend, voting, return of capital or otherwise, to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, provided that no Shares shall be issued at a discount to their par value.

The Company may issue rights, options, warrants or convertible securities or securities of a similar nature conferring the right upon the holders thereof to subscribe for, purchase or receive any class of Shares or other securities in the Company on such terms as the Board may from time to time determine.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, **[REDACTED]** of, option over or disposal of Shares, to make, or make available, any such allotment, **[REDACTED]**, option or Shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(c) Power to Dispose of the Assets of the Company or any of its Subsidiaries

Subject to the provisions of the Companies Act, the Memorandum and Articles and any directions given by special resolution of the Company, the Board may exercise all powers and do all acts and things which may be exercised or done by the Company to dispose of the assets of the Company or any of its subsidiaries. No alteration to the Memorandum or Articles and no direction given by special resolution of the Company shall invalidate any prior act of the Board which would have been valid if such alteration or direction had not been made or given.

(d) Borrowing Powers

The Board may exercise all the powers of the Company to raise or borrow money, secure the payment of any sum or sums of money for the purposes of the Company, mortgage or charge all or any part of its undertaking, property and uncalled capital of the Company, and, subject to the Companies Act, issue debentures, debenture stock, bonds and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(e) Remuneration

A Director shall be entitled to receive such sums as shall from time to time be determined by the Board or the Company in general meetings. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in connection with attendance at meetings of the Board or committees of the Board, or general meetings of the Company or separate meetings of the holders of any class of Shares or debentures of the Company, or otherwise in connection with the business of the Company and the discharge of their duties as Directors, and/or to receive fixed allowances in respect thereof as may be determined by the Board.

The Board or the Company in general meetings may also approve additional remuneration to any Director for any services which in the opinion of the Board or the Company in general meetings go beyond such Director's ordinary routine work as a Director.

(f) Compensation or Payments for Loss of Office

There are no provisions in the Articles relating to compensation or payment for loss of office.

(g) Loans to Directors

There are no provisions in the Articles relating to making of loans to Directors.

(h) Disclosure of Interest in Contracts with the Company or any of its Subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company.

No person shall be disqualified from the office of Director or alternate Director or prevented by such office from contracting with the Company, nor shall any such contract or any other contract or transaction entered into by or on behalf of the Company in which any Director or alternate Director is in any way interested be or be liable to be avoided, nor shall any Director or alternate Director so contracting or being so interested be liable to account to the Company for any profit realised by or arising in connection with any such contract or transaction by reason of such Director or alternate Director holding such office or of the fiduciary relationship established by it, provided that the nature of interest of any Director or alternate Director in any such contract or transaction shall be disclosed by such Director or alternate Director at or prior to the consideration and vote thereon.

A Director shall not vote on (or be counted in the quorum in relation to) any resolution of the Board in respect of any contract or arrangement or other proposal in which he or any of his close associate(s) has a material interest, and if he shall do so his vote shall not be counted and he shall not be counted in the quorum for such resolution. This prohibition shall not apply to any of the following matters:

(i) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an **[REDACTED]** of Shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the **[REDACTED]** or sub- **[REDACTED]** of the **[REDACTED]**;

(iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of (A) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit or (B) any pension fund or retirement, death or disability benefits scheme which relates to the Director, his close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of Shares, debentures or other securities of the Company by virtue only of his/their interest in those Shares, debentures or other securities.

2.3 Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Unless otherwise determined, two Directors shall be a quorum. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.4 Alterations to the Constitutional Documents and the Company's Name

The Memorandum and Articles may only be altered or amended, and the name of the Company may only be changed, by special resolution of the Company.

2.5 Meetings of Members

(a) Special and Ordinary resolutions

A special resolution must be passed by a majority of not less than three-fourths/two-thirds (other than in relation to any resolution approving changes to the Company's constitutional documents or a voluntary winding up of the Company, in which case a special resolution must be passed by a majority of not less than three-fourths) of the voting rights held by such members as, being entitled so to do, vote in person or by proxy or, in the case of any members which is a corporation, by its duly authorised representative(s) or by proxy, at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given. A special resolution may also be approved in writing by all the members entitled to vote at a general meeting in one or more instruments each signed by one or more of such members.

An ordinary resolution, in contrast, is a resolution passed by a simple majority of the voting rights held by such members as, being entitled to do so, vote in person or by proxy or, in the case of any member which is a corporation, by its duly authorised representative(s) or by proxy, at a general meeting. An ordinary resolution may also be approved in writing by all the members entitled to vote at a general meeting in one or more instruments each signed by one or more of such members.

The provisions of special resolutions and ordinary resolutions shall apply mutatis mutandis to any resolutions passed by the holders of any class of shares.

(b) Voting Rights and Right to Demand a Poll

Subject to any rights, restrictions or privileges as to voting for the time being attached to any class or classes of Shares, at any general meeting: (a) on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for every Share and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote.

In the case of joint holders, the vote of the senior holder who tenders a vote, whether in person or by proxy shall be accepted to the exclusion of the votes of the other join holders, and seniority shall be determined by the order in which the names of the holders stand in the register of members of the Company.

No person shall be counted in a quorum or be entitled to vote at any general meeting unless he is registered as a member on the record date for such meeting, nor unless all calls or other monies then payable by him in respect of the relevant Shares have been paid.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands.

Any corporation or other non-natural person which is a member of the Company may in accordance with its constitutional documents, or in the absence of such provision by resolution of its directors or other governing body or by power of attorney, authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of members, and the person so authorised shall be entitled to exercise the same powers as the corporation or other non-natural person could exercise as if it were a natural person member of the Company.

If a recognised clearing house or its nominee(s) is a member of the Company, it may appoint proxies or authorise such person or persons as it thinks fit to act as its representative(s), who enjoy rights equivalent to the rights of other members, at any meeting of the Company (including but not limited to general meetings and creditors meetings) or at any meeting of any class of members of the Company, provided that if more than one person is so authorised, the authorisation shall specify the number and class of Shares in respect of which each such person is so authorised. A person so authorised shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house or its nominee(s) as if such person were a natural person member of the Company, including the right to speak and vote individually on a show of hands or on a poll.

All members of the Company (including a member which is a recognised clearing house (or its nominee(s))) shall have the right to (i) speak at a general meeting and (ii) and vote at a general meeting except where a member is required by the Listing Rules to abstain from voting to approve the matter under consideration. Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(c) Annual General Meetings and Extraordinary General Meetings

The Company must hold a general meeting as its annual general meeting in each financial year. Such meeting shall be specified as such in the notices calling it, and must be held within six months after the end of the Company's financial year. A meeting of the members or any class thereof may be held by telephone, tele-conferencing or other electronic means, provided that all participants are able to communicate contemporaneously with one another, and participation in a meeting in such manner shall constitute presence at such meetings.

The Board may convene an extraordinary general meeting whenever it thinks fit. In addition, one or more members holding, as at the date of deposit of the requisition, in aggregate not less than one-tenth of the voting rights (on a one vote per Share basis) in the share capital of the Company may make a requisition to convene an extraordinary general meeting and/or add resolutions to the agenda of a meeting. Such requisition, which must state the objects and the resolutions to be added to the agenda of the meeting and must be signed by the requisitionists, shall be deposited at the principal place of business of the Company in Hong Kong or, in the event the Company ceases to have such a principal place of business, the registered office of the Company. If the Board does not within 21 days from the date of deposit of such requisition duly proceed to convene a general meeting to be held within the following 21 days, the requisitionists or any of them representing more than one-half of the total voting rights of all the requisitionists may themselves convene a general meeting, but any such meeting so convened shall be held no later than the day falling three months after the expiration of the said 21-day period. A general meeting convened by requisitionists shall be convened in the same manner as nearly as possible as that in which general meetings are to be convened by the Board, and all reasonable expenses incurred by the requisitionists shall be reimbursed to the requisitionists by the Company.

(d) Notices of Meetings and Business to be Conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the date, time, place and agenda of the meeting, the particulars of the resolution(s) to be considered at the meeting and the general nature of the business to be considered at the meeting.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address, (to the extent permitted by the Listing Rules and all applicable laws and regulations) by electronic means or (in the case of a notice) by advertisement published in the manner prescribed under the Listing Rules.

Notwithstanding that a meeting of the Company is called by shorter notice than as specified above, if permitted by the Listing Rules, such meeting may be deemed to have been duly called if it is so agreed:

(i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of an extraordinary general meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights held by such members.

If, after the notice of a general meeting has been sent but before the meeting is held, or after the adjournment of a general meeting but before the adjourned meeting is held (whether or not notice of the adjourned meeting is required), the Board in its absolute discretion consider that it is impractical or unreasonable for any reason to hold a general meeting on the date or at the time and place specified in the notice calling such meeting, it may change or postpone the meeting to another date, time and place.

The Board also has the power to provide in every notice calling a general meeting that in the event of a gale warning, a black rainstorm warning or extreme conditions is/are in force at any time on the day of the general meeting (unless such warning is cancelled at least a minimum period of time prior to the general meeting as the Board may specify in the relevant notice), the meeting shall be postponed without further notice to be reconvened on a later date.

Where a general meeting is postponed:

(A) the Company shall endeavour to cause a notice of such postponement, which shall set out the reason for the postponement in accordance with the Listing Rules, to be placed on the Company's website and published on the Stock Exchange's website as soon as practicable, provided that failure to place or publish such notice shall not affect the automatic postponement of a general meeting due to a gale warning, a black rainstorm warning or extreme conditions being in force on the day of the general meeting;

(B) the Board shall fix the date, time and place for the reconvened meeting and at least seven clear days' notice shall be given for the reconvened meeting. Such notice shall specify the date, time and place at which the postponed meeting will be reconvened and the date and time by which proxies shall be submitted in order to be valid at such reconvened meeting (provided that any proxy submitted for the original meeting shall continue to be valid for the reconvened meeting unless revoked or replaced by a new proxy); and

(C) only the business set out in the notice of the original meeting shall be considered at the reconvened meeting, and notice given for the reconvened meeting does not need to specify the business to be considered at the reconvened meeting, nor shall any accompanying documents be required to be recirculated. Where any new business is to be considered at such reconvened meeting, the Company shall give a fresh notice for such reconvened meeting in accordance with the Articles.

(e) Quorum for Meetings and Separate Class Meetings

No business shall be considered at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to approve the variation of class rights, the necessary quorum shall be two persons holding or representing by proxy not less than one-third of the issued Shares of that class.

(f) Proxies

Any member of the Company (including a member which is a recognised clearing house (or its nominee(s))) entitled to attend and vote at a meeting of the Company is entitled to appoint another person (being a natural person) as his proxy to attend and vote in his place. A member who is the holder of two or more Shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is a natural person and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were a natural person member present in person at any general meeting. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing and executed under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation or other non-natural person, either under its seal or under the hand of a duly authorised representative.

The Board shall, in the notice convening any meeting or adjourned meeting, or in an instrument of proxy sent out by the Company, specify the manner by which the instrument appointing a proxy shall be deposited and the place and time (being no later than the time appointed for the commencement of the meeting or adjourned meeting to which the instrument of proxy relates) at which such instrument shall be deposited.

Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form that complies with the Listing Rules as the Board may from time to time approve. Any form issued to a member for appointing a proxy to attend and vote at a general meeting at which any business is to be considered shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise the discretion of the proxy in respect of) each resolution dealing with any such business.

2.6 Accounts and Audit

The Board shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to explain its transactions in accordance with the Companies Act.

The books of accounts of the Company shall be kept at the principal place of business of the Company in Hong Kong or, subject to the provisions of the Companies Act, at such other place or places as the Board thinks fit and shall always be open to inspection by any Director. No member (not being a Director) or other person shall have any right to inspect any account, book or document of the Company except as conferred by the Companies Act or ordered by a court of competent jurisdiction or as authorised by the Board or the Company in general meeting.

The Board shall cause to be prepared and laid before the Company at every annual general meeting a profit and loss account for the period since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up, a Directors' report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditors' report on such accounts and such other reports and accounts as may be required by law and the Listing Rules.

The members shall at each annual general meeting appoint auditor(s) to hold office by ordinary resolution of the members until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the members at the annual general meeting at which they are appointed by ordinary resolution of the members or in any other manner as specified in such ordinary resolution. The members may, at any general meeting convened and held in accordance with the Articles, remove the auditors by ordinary resolution at any time before the expiration of the term of office and shall, by ordinary resolution, at that meeting appoint new auditors in their place for the remainder of the term.

The accounts of the Company shall be prepared and audited based on the generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

2.7 Dividends and other Methods of Distribution

Subject to the Companies Act and the Articles, the Company may by ordinary resolution resolve to declare dividends and other distributions on Shares in issue in any currency and authorise payment of the dividends or distributions out of the funds of the Company lawfully available therefor, provided that (i) no dividends shall exceed the amount recommended by the Board, and (ii) no dividends or distributions shall be paid except out of the realised or unrealised profits of the Company, out of the share premium account or as otherwise permitted by law.

The Board may from time to time pay to the members of the Company such interim dividends as appear to the Board to be justified by the financial conditions and the profits of the Company. In addition, the Board may from time to time declare and pay special dividends on Shares of such amounts and on such dates as it thinks fit.

Except as otherwise provided by the rights attached to any Shares, all dividends and other distributions shall be paid according to the amounts paid up on the Shares that a member holds during the period in respect of which the dividends and distributions are paid. No amount paid up on a Share in advance of calls shall for this purpose be treated as paid up on the Share.

The Board may deduct from any dividends or other distributions payable to any member of the Company all sums of money (if any) then payable by him to the Company on account of calls or otherwise. The Board may retain any dividends or distributions payable on or in respect of a Share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

No dividends or other distributions payable by the Company on or in respect of any Share shall carry interest against the Company.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may further resolve:

(a) that such dividend be satisfied in whole or in part in the form of an allotment of Shares credited as fully paid on the basis that the Shares so allotted shall be of the same class as the class already held by the allottee, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(b) that the members entitled to such dividend will be entitled to elect to receive an allotment of Shares credited as fully paid in lieu of the whole or such part of the dividend as the Board may think fit on the basis that the Shares so allotted shall be of the same class as the class already held by the allottee.

Upon the recommendation of the Board, the Company may by ordinary resolution resolve in respect of any one particular dividend of the Company determine that notwithstanding the foregoing, a dividend may be satisfied wholly in the form of an allotment of Shares credited as fully paid without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividends, distributions or other monies payable in cash in respect of Shares may be paid by wire transfer to the holder of such Shares or by cheque or warrant sent by post to the registered address of such holder, or in the case of joint holders, to the registered address of the holder who is first named on the register of members of the Company, or to such person and to such address as the holder or joint holders may in writing direct. Any one of two or more joint holders may give effectual receipts for any dividends, distributions or other monies payable in respect of the Shares held by them as joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied in whole or in part by the distribution of specific assets of any kind.

Any dividends or other distributions which remain unclaimed for six years from the date on which such dividends or distributions become payable shall be forfeited and shall revert to the Company.

2.8 Inspection of Corporate Records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed in accordance with the Companies Ordinance) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Companies Ordinance.

2.9 Rights of Minorities in relation to Fraud or Oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under the Cayman Islands laws, as summarised in paragraph 3.6 below.

2.10 Procedures on Liquidation

Subject to the Companies Act, the members of the Company may by special resolution resolve to wind up the Company voluntarily or by the court.

Subject to any rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of Shares:

(a) if the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the Company's paid up capital at the commencement of the winding up, the surplus shall be distributed pari passu among such members in proportion to the amount paid up on the Shares held by them at the commencement of the winding up; and

(b) if the assets available for distribution among the members of the Company are insufficient to repay the whole of the Company's paid up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or ought to be paid up, on the Shares held by them at the commencement of the winding up.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the approval of a special resolution and any other approval required by the Companies Act, divide among the members in kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like approval, vest any part of the assets in trustees upon such trusts for the benefit of the members as the liquidator thinks fit, provided that no member shall be compelled to accept any shares or other property upon which there is a liability.

3. COMPANY LAWS OF THE CAYMAN ISLANDS

The Company was incorporated in the Cayman Islands as an exempted company on 15 September 2021 subject to the Companies Act. Certain provisions of the company laws of the Cayman Islands are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the company laws of the Cayman Islands, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

3.1 Company Operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

3.2 Share Capital

Under the Companies Act, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premium on those shares shall be transferred to an account, to be called the share premium account. At the option of a company, these provisions may not apply to premium on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

(a) paying distributions or dividends to members;

(b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(c) any manner provided in section 37 of the Companies Act;

(d) writing-off the preliminary expenses of the company; and

(e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

3.3 Financial Assistance to Purchase Shares of a Company or its Holding Company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

3.4 Purchase of Shares and Warrants by a Company and its Subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of section 37A(1) of the Companies Act. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Act.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under the Cayman Islands laws that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

3.5 Dividends and Distributions

Subject to a solvency test, as prescribed in the Companies Act, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

3.6 Protection of Minorities and Shareholders' Suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of Foss vs. Harbottle and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

3.7 Disposal of Assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

3.8 Accounting and Auditing Requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it; and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2021 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

3.9 Exchange Control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

3.10 Taxation

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

3.11 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

3.12 Loans to Directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

3.13 Inspection of Corporate Records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

3.14 Register of Members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2021 Revision) of the Cayman Islands.

3.15 Register of Directors and Officers

Pursuant to the Companies Act, the Company is required to maintain at its registered office a register of directors, alternate directors and officers. The Registrar of Companies shall make available the list of the names of the current directors of the Company (and, where applicable, the current alternate directors of the Company) for inspection by any person upon payment of a fee by such person. A copy of the register of directors and officers must be filed with the Registrar of Companies in the Cayman Islands, and any change must be notified to the Registrar of Companies within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

3.16 Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up

except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s).The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

3.17 Mergers and Consolidations

The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company's articles of association. The written plan

of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting members have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

3.18 Mergers and Consolidations involving a Foreign Company

Where the merger or consolidation involves a foreign company, the procedure is similar, save that with respect to the foreign company, the directors of the Cayman Islands exempted company are required to make a declaration to the effect that, having made due enquiry, they are of the opinion that the requirements set out below have been met: (i) that the merger or consolidation is permitted or not prohibited by the constitutional documents of the foreign company and by the laws of the jurisdiction in which the foreign company is incorporated, and that those laws and any requirements of those constitutional documents have been or will be complied with; (ii) that no petition or other similar proceeding has been filed and remains outstanding or order made or resolution adopted to wind up or liquidate the foreign company in any jurisdictions; (iii) that no receiver, trustee, administrator or other similar person has been appointed in any jurisdiction and is acting in respect of the foreign company, its affairs or its property or any part thereof; (iv) that no scheme, order, compromise or other similar arrangement has been entered into or made in any jurisdiction whereby the rights of creditors of the foreign company are and continue to be suspended or restricted.

Where the surviving company is the Cayman Islands exempted company, the directors of the Cayman Islands exempted company are further required to make a declaration to the effect that, having made due enquiry, they are of the opinion that the requirements set out below have been met: (i) that the foreign company is able to pay its debts as they fall due and that the merger or consolidated is bona fide and not intended to defraud unsecured creditors of the foreign company; (ii) that in respect of the transfer of any security interest granted by the foreign company to the surviving or consolidated company (a) consent or approval to the transfer has been obtained, released or waived; (b) the transfer is permitted by and has been approved in accordance with the constitutional documents of the foreign company; and (c) the laws of the jurisdiction of the foreign company with respect to the transfer have been or will be complied with; (iii) that the foreign company will, upon the merger or consolidation becoming effective, cease to be incorporated, registered or exist under the laws of the relevant foreign jurisdiction; and (iv) that there is no other reason why it would be against the public interest to permit the merger or consolidation.

3.19 Reconstructions and Amalgamations

Reconstructions and amalgamations may be approved by (i) 75% in value of the members or class of members or (ii) a majority in number representing 75% in value of the creditors or class of creditors, in each case depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, it can be expected that the court would approve the transaction if it is satisfied that (i) the company is not proposing to act illegally or beyond the scope of our corporate authority and the statutory provisions as to majority vote have been complied with, (ii) the members have been fairly represented at the meeting in question, (iii) the transaction is such as a businessman would reasonable approve and (iv) the transaction is not one that would more properly be sanctioned under some other provisions of the Companies Act or that would amount to a "fraud on the minority".

If the transaction is approved, no dissenting member would have any rights comparable to the appraisal rights (namely the right to receive payment in cash for the judicially determined value of his shares), which may be available to dissenting members of corporations in other jurisdictions.

3.20 Takeovers

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

3.21 Indemnification

The Cayman Islands laws do not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

3.22 Economic Substance

The Cayman Islands enacted the International Tax Co-operation (Economic Substance) Act (2024 Revision) together with the Guidance Notes published by the Cayman Islands Tax Information Authority from time to time. If a company is considered to be a "relevant entity" and is conducting one or more of the nine "relevant activities", then such company will be required to comply with the economic substance requirements in relation to the relevant activity from 1 July 2019. All companies whether a relevant entity or not is required to file an annual report with the Registrar of Companies of the Cayman Islands confirming whether or not it is carrying on any relevant activities and if it is, it must satisfy an economic substance test.

4. GENERAL

Harney Westwood & Riegels, the Company's legal adviser on Cayman Islands laws, has sent to the Company a letter of advice summarising the aspects of the Companies Act set out in section 3 above. This letter, together with copies of the Companies Act, the Memorandum and the Articles, is on display on the websites of the Stock Exchange and the Company as referred to in the paragraph headed "Documents on display" in Appendix VI. Any person wishing to have a detailed summary of the Companies Act or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation

Our Company was incorporated under the laws of the Cayman Islands on September 15, 2021 as an exempted company with limited liability. Upon our incorporation, our authorized share capital was US$50,000 divided into 500,000,000 shares of a par value of US$0.0001 each.

Registered office address is at the Suite #4-210, Governors Square, 23 Lime Tree Bay Avenue, PO Box 32311, Grand Cayman KY1-1209, Cayman Islands. Accordingly, our Company's corporate structure and Memorandum and Articles are subject to the relevant laws of the Cayman Islands. For details of our Memorandum and Articles, see "– Memorandum of Association" and "– Articles of Association" in Appendix IV to this document.

Our registered place of business in Hong Kong is at 31/F, Tower Two, Times Square, 1 Matheson Street Causeway Bay, Hong Kong. We were registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on July 22, 2024. with the Registrar of Companies in Hong Kong. Dr. Zhang and Ms. YU Wing Sze 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 31/F, Tower Two, Times Square, 1 Matheson Street Causeway Bay, Hong Kong.

2. Changes in the share capital of Our Company

As at the date of our incorporation, our authorized share capital was US$50,000 divided into 500,000,000 shares of a par value of US$0.0001 each. On July 4, 2024, our then Shareholder passed an ordinary resolution to approve share subdivision, pursuant to which, every issued and unissued ordinary Share of US$0.0001 par value in our Company was subdivided into 1,000,000,000 ordinary Shares of US$0.00005 par value each. On September 29, 2024, our then Shareholder passed on a special resolution to approve share re-designation and re-classification, pursuant to which, the every issued and unissued ordinary Share was re-designated and re-classified as Ordinary Shares and Preferred Shares. As of September 30, 2024 and immediately prior to the **[REDACTED]**, the issued share capital of our Company was US$12,041.2137 divided into 145,867,544 Ordinary Shares, 34,853,409 Series Angel Preferred Shares, 19,276,824 Series A Preferred Shares, 16,509,424 Series B Preferred Shares, 20,050,919 Series B+ Preferred Shares and 4,266,154 Series B++ Preferred Shares of a par value of US$0.00005 each, all fully paid or credited as fully paid. Immediately following the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised), the issued share capital of our Company will be US$**[REDACTED]** divided into **[REDACTED]** Ordinary of a par value of US$0.00005 each, all fully paid or credited as fully paid.

Save as disclosed in "History, Reorganization and Corporate Structure" in this document, there has been no alteration in our share capital within the two years immediately preceding the date of this document.

3. Changes in the share capital of members of Our Group

A summary of the corporate information and the particulars of our Subsidiaries and Consolidated Affiliated Entities are set out in Note 1 to the Accountant's Report as set out in I.

The following sets out the changes in the issued shares registered capital of members of our Group within the two years immediately preceding the date of this document:

Suzhou Zephyrm

On October 19, 2023, the registered capital of Suzhou Zephyrm was increased from RMB28,169,697 to RMB33,619,667. On April 11, 2024, the registered capital of Suzhou Zephyrm was increased from RMB33,619,667 to RMB33,920,111.

Beijing Zephyrm

On April 7, 2023, the registered capital of Beijing Zephyrm was increased from RMB290,000,000 to RMB428,000,000. On December 20, 2023, the registered capital of Beijing Zephyrm was increased from RMB428,000,000 to RMB550,000,000.

Save as disclosed above, there has been no alteration in the share capital of any member of our Group within the two years immediately preceding the date of this document.

4. Resolutions of Our Shareholders

[Pursuant to the written resolutions passed by our Shareholders on [•], it was resolved, among others, that conditional upon the conditions of the **[REDACTED]** (as set out in this document) being fulfilled:

(a) our Company approved and adopted the Memorandum and Articles of Association with effect upon **[REDACTED]**;

(b) the **[REDACTED]**, the **[REDACTED]** and the **[REDACTED]** were approved and our Directors were authorized to effect the same and to allot and issue new Shares pursuant to the **[REDACTED]**; and

(c) a general unconditional mandate was granted to our Directors to, inter alia, allot, issue and **[REDACTED]** with Shares, securities convertible into Shares (the "**Convertible Securities**") or options, warrants or similar rights to subscribe for any Shares or such convertible securities (the "**Options and Warrants**") and to make or grant offers, agreements or options which might require such Shares, the Convertible Securities or the Options and Warrants to be **[REDACTED]** and **[REDACTED]** or **[REDACTED]**

with at any time subject to the requirement that the aggregate nominal value of the Shares or the underlying Shares relating to the Convertible Securities or the Options and Warrants so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, shall not exceed the sum of 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the **[REDACTED]** (including the Shares which may be issued pursuant to the exercise of the **[REDACTED]**).

This mandate does not cover Shares to be allotted, issued or **[REDACTED]** with under a rights issue or scrip dividend scheme or similar arrangements or a specific authority granted by our Shareholders. Such mandate will remain in effect until:

a. the conclusion of our next annual general meeting;

b. the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Memorandum and Articles of Association; or

c. it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting, whichever is the earliest;

(d) a general unconditional mandate was granted to our Directors to exercise all powers of our Company to repurchase Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the **[REDACTED]** (including the Shares which may be issued pursuant to the exercise of the **[REDACTED]**) ("**Repurchase Mandate**").

(e) This mandate only relates to repurchase made on the Stock Exchange or on any other stock exchange on which the Shares may be **[REDACTED]** (and which is recognized by the SFC and the Stock Exchange for this purpose) and which is in accordance with all applicable laws and regulations. Such mandate will remain in effect until:

a. the conclusion of our next annual general meeting;

b. the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Memorandum and Articles of Association; or

c. it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting, whichever is the earliest; and

(f) the general unconditional mandate as mentioned in paragraph (c) above was extended by the addition to the aggregate nominal value of the Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares purchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (d) above (up to 10% of the aggregate nominal value of the Shares in issue immediately following the completion of the **[REDACTED]**).]

5. Explanatory statement on repurchase of our own securities

The following summarizes restrictions imposed by the Listing Rules on share repurchases by a company **[REDACTED]** on the Stock Exchange and provides further information about the repurchase of our own securities.

Shareholders' approval

A listed company whose primary listing is on the Stock Exchange may only purchase its shares on the Stock Exchange, either directly or indirectly, if: (i) the shares proposed to be purchased are fully-paid up, and (ii) its shareholders have given a specific approval or general mandate by way of an ordinary resolution of shareholders.

Size of mandate

The exercise in full of the Repurchase Mandate, on the basis of **[REDACTED]** Shares in issue immediately following completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised), could accordingly result in up to approximately **[REDACTED]** Shares being repurchased by our Company.

The total number of shares which a listed company may repurchase on the Stock Exchange may not exceed 10% of the number of issued shares as of the date of the shareholder approval.

Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and Shareholders.

Source of funds

Purchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles and the applicable laws of the Cayman Islands.

Our Company shall not purchase its own Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Any purchases by our Company may be made out of profits or out of an issue of new shares made for the purpose of the purchase or, if authorized by its Memorandum and Articles and subject to the Companies Ordinance, out of capital, and, in the case of any premium payable on the purchase out of profits or from sums standing to the credit of our share premium account or, if authorized by its Memorandum and Articles and subject to the Companies Ordinance, out of capital.

Suspension of repurchase

A listed company shall not repurchase its shares on the Stock Exchange at any time after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of: (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for the issuer to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), until the date of the results announcement, the company may not repurchase its shares on the Stock Exchange unless there are exceptional circumstances.

Trading restrictions

A listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

A listed company may not repurchase its shares if that repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange.

Status of repurchased shares

The listing of all repurchased shares (whether through the Stock Exchange or otherwise) shall be automatically cancelled and the relevant documents of title must be cancelled and destroyed as soon as reasonably practicable.

Close associates and core connected persons

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their close associates have a present intention, in the event the Repurchase Mandate is approved, to sell any Shares to our Company.

No core connected person of our Company has notified our Company that they have a present intention to sell Shares to our Company, or have undertaken to do so, if the Repurchase Mandate is approved.

A listed company shall not knowingly purchase its shares on the Stock Exchange from a core connected person (namely a director, chief executive or substantial shareholder of the company or any of its subsidiaries, or a close associate of any of them), and a core connected person shall not knowingly sell their interest in shares of the company to it.

Takeover implications

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

General

If the Repurchase Mandate were to be carried out in full at any time, there may be a material adverse impact on our working capital or gearing position (as compared with the position disclosed in our most recent published audited accounts). However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would have a material adverse effect on our working capital or gearing position.

Our Directors have undertaken to the Stock Exchange to exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following are contracts (not being contracts entered into in the ordinary course of business) entered into by any member of our Group within the two years immediately preceding the date of this document that are or may be material:

(a) the exclusive business cooperation agreement dated September 29, 2024 entered into between the Zephyrm Boda and Suzhou Zephyrm, pursuant to which the Suzhou Zephyrm has engaged Zephyrm Boda as the exclusive provider to provide the Suzhou Zephyrm with comprehensive services and the Suzhou Zephyrm shall pay services fees to Zephyrm Boda;

(b) the exclusive purchase option agreement dated September 29, 2024 entered into among the Zephyrm Boda, Suzhou Zephyrm and the Registered Shareholders, pursuant to which Suzhou Zephyrm and the Registered Shareholders have granted Zephyrm Boda or its designee an irrevocable and exclusive right to purchase at any time and to the extent permitted by the then applicable PRC laws (i) from each of the Registered Shareholders all or any part of their equity interests in Suzhou Zephyrm and/or (ii) from Suzhou Zephyrm all or any of its assets or interests in any of its assets at the nominal value or the lowest price permitted under the PRC laws;

(c) the equity pledge agreement dated September 29, 2024 entered into among the Zephyrm Boda, Suzhou Zephyrm and the Registered Shareholders, pursuant to which the Registered Shareholders has pledged all of their respective equity interests in Suzhou Zephyrm to Zephyrm Boda as the first priority security to guarantee performance of their contractual obligations under the Contractual Arrangements and all liabilities, monetary debts or other payment obligations arising out of or in relation with the Contractual Arrangements;

(d) the voting proxy agreement dated September 29, 2024 entered into among the Zephyrm Boda, Suzhou Zephyrm and the Registered Shareholders pursuant to which the Registered Shareholders have appointed Zephyrm Boda and/or its designee as their exclusive agent and attorney to act on their behalf on all matters concerning Suzhou Zephyrm and to exercise all of their rights as shareholders of Suzhou Zephyrm; and

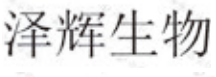
(e) **[REDACTED]**

2. Intellectual property rights

Save as disclosed below, as of the Latest Practicable Date, there were no other trademarks, service marks, patents, intellectual property rights, or industrial property rights which are or may be material in relation to our business.

Trademarks registered in the PRC

As of the Latest Practicable Date, we had registered the following trademarks in China:

No.	Trademark	Registered owner	Class	Registration number	Expiry date
1		Suzhou Zephyrm	44	38088088	July 28, 2020 to July 27, 2030
2		Suzhou Zephyrm	44	38083050	May 7, 2020 to May 6, 2030
3		Suzhou Zephyrm	44	38076470	May 7, 2020 to May 6, 2030
4		Suzhou Zephyrm	35	33347785	September 7, 2019 to September 6, 2029
5		Suzhou Zephyrm	42	33347784	August 28, 2019 to August 27, 2029
6		Suzhou Zephyrm	42	33347783	September 7, 2019 to September 6, 2029
7		Suzhou Zephyrm	44	33347782	July 7, 2020 to July 6, 2030
8		Suzhou Zephyrm	44	33347781	March 7, 2020 to March 6, 2030
9		Suzhou Zephyrm	44	33347780	June 28, 2020 to June 27, 2030
10		Suzhou Zephyrm	5	33347550	May 21, 2019 to May 20, 2029
11		Suzhou Zephyrm	5	33347549	May 21, 2019 to May 20, 2029
12		Suzhou Zephyrm	5	33347548	May 28, 2019 to May 27, 2029

No.	Trademark	Registered owner	Class	Registration number	Expiry date
13	泽辉	Suzhou Zephyrm	10	33347547	May 21, 2019 to May 20, 2029
14	ZEPHYRM	Suzhou Zephyrm	10	33347546	May 21, 2019 to May 20, 2029
15	ZEPHYRM 泽 辉 生 物	Suzhou Zephyrm	10	33347545	May 21, 2019 to May 20, 2029
16	泽辉	Suzhou Zephyrm	35	33347544	August 28, 2019 to August 27, 2029
17	ZEPHYRM	Suzhou Zephyrm	35	33346585	August 28, 2019 to August 27, 2029
18	科舒坦	Beijing Zephyrm	35	45774341	March 7, 2021 to March 6, 2031
19	科舒坦	Beijing Zephyrm	10	45767691	March 7, 2021 to March 6, 2031
20	科舒坦	Beijing Zephyrm	42	45756740	March 7, 2021 to March 6, 2031
21	科舒坦	Beijing Zephyrm	5	45749347	March 7, 2021 to March 6, 2031
22	科舒坦	Beijing Zephyrm	44	45738698	March 14, 2021 to March 13, 2031
23	科舒达	Beijing Zephyrm	42	44413602	November 7, 2020 to November 6, 2030
24	科舒达	Beijing Zephyrm	35	44407434	October 21, 2020 to October 20, 2030
25	科舒达	Beijing Zephyrm	44	44404028	November 7, 2020 to November 6, 2030

Patents

As of September 27, 2024, we owned the following registered patents which we consider to be or may be material to our business:

Product	Patent Name	Patent Type	Applicant/Patentee	Jurisdiction	Status	Patent Expiration[1]
ZH901	Pluripotent stem cell, pharmaceutical composition, and preparation method and application thereof	Invention	Institute of Zoology, CAS and Beijing Institute for Stem Cell and Regeneration	China	Granted	September 21, 2040
ZH901	Method for testing expression level of pluripotency gene	Invention	Our Company	China	Granted	December 22, 2041
Others	A culture system of induced PSCs	Invention	Institute of Zoology, CAS	China	Granted	March 21, 2034
ZH902	Expansion culture medium and culture method for RPE cells	Invention	Institute of Zoology, CAS and Beijing Institute for Stem Cell and Regeneration	China	Granted	September 29, 2042
ZH902	A simple preparation method of RPE cells	Invention	Institute of Zoology, CAS and Beijing Institute for Stem Cell and Regeneration	China	Granted	September 27, 2041
ZH903	Midbrain dopamine cell population, manufacturing method and use thereof	Invention	Institute of Zoology, CAS and Beijing Institute for Stem Cell and Regeneration	China	Granted	October 19, 2042
ZH903	A nerve cell assembly and application thereof	Invention	Institute of Zoology, CAS and Beijing Institute for Stem Cell and Regeneration	China	Granted	September 28, 2042
ZH903	A method for determining the presence of grafts in animals by blood sample detection	Invention	Institute of Zoology, CAS and Beijing Institute for Stem Cell and Regeneration	China	Granted	October 27, 2042
ZH903	Expansion culture medium and culture method for neural cells	Invention	Institute of Zoology, CAS and Beijing Institute for Stem Cell and Regeneration	China	Granted	August 17, 2041
Others	Cultured pancreatic cells and culturing methods and uses thereof	Invention	Our Company	China	Granted	July 14, 2026
Others	Lentivirus transfection of bone marrow mesenchymal stem cells from cynomolgus macaque	Invention	Our Company	China	Granted	November 5, 2029
Others	Methods of culture and virus transfection of bone marrow mesenchymal stem cells from adult cynomolgus monkey	Invention	Our Company	China	Granted	November 5, 2029

Note:

(1) Patent expiration does not include any applicable patent term extensions.

As of September 27, 2024, we have applied for the following patent applications which we consider to be or may be material to our business:

Product	Patent Name	Patent Type	Applicant/Patentee	Jurisdiction	Status	Patent Expiration[1]
ZH901	Pluripotent stem cell, pharmaceutical composition, and preparation method and application thereof	Invention	Institute of Zoology, CAS and Beijing Institute for Stem Cell and Regeneration	Europe	Pending	N/A
ZH901	Pluripotent stem cell, pharmaceutical composition, and preparation method and application thereof	Invention	Institute of Zoology, CAS and Beijing Institute for Stem Cell and Regeneration	the U.S.	Pending	N/A
ZH901	Pluripotent stem cell, pharmaceutical composition, and preparation method and application thereof	Invention	Institute of Zoology, CAS and Beijing Institute for Stem Cell and Regeneration	Japan	Pending	N/A
ZH901	Pluripotent stem cell, pharmaceutical composition, and preparation method and application thereof	Invention	Institute of Zoology, CAS and Beijing Institute for Stem Cell and Regeneration	South Korea	Pending	N/A
ZH901	Method for testing expression level of pluripotency gene	Invention	Our Company	the U.S.	Pending	N/A
ZH901	Method for testing expression level of pluripotency gene	Invention	Our Company	Europe	Pending	N/A
ZH901	Homogeneous reference cell, and preparation, calibration and use thereof	Invention	Our Company	China	Pending	N/A
Others	Application of exosomes derived from MSCs derived from human PSCs in the treatment of stroke	Invention	Our Company	China	Pending	N/A
ZH901	Stem cell preparation composition, and batch production method and clinical application thereof	Invention	Our Company	China	Pending	N/A
ZH901	Stem cell preparation composition, and batch production method and clinical application thereof	Invention	Our Company	PCT	Pending	N/A
ZH902	A method for isolation of cultured RPE cells	Invention	Our Company	China	Pending	N/A

Product	Patent Name	Patent Type	Applicant/Patentee	Jurisdiction	Status	Patent Expiration[1]
ZH902	A method for isolating pigmented foci from cell cluster surrounding pigmented foci with nonpigmented regions	Invention	Our Company	China	Pending	N/A
ZH902	A method for detecting the viability and density of melanin containing cells	Invention	Our Company	China	Pending	N/A
ZH902	Method for preparing cryopreservation formulation for RPE cells	Invention	Our Company	China	Pending	N/A
ZH903	Expansion culture medium and culture method for neural cells	Invention	Institute of Zoology, CAS and Beijing Institute for Stem Cell and Regeneration	Europe	Pending	N/A
ZH903	Expansion culture medium and culture method for neural cells	Invention	Institute of Zoology, CAS and Beijing Institute for Stem Cell and Regeneration	the U.S.	Pending	N/A
ZH903	Expansion culture medium and culture method for neural cells	Invention	Institute of Zoology, CAS and Beijing Institute for Stem Cell and Regeneration	Japan	Pending	N/A
ZH903	Expansion culture medium and culture method for neural cells	Invention	Institute of Zoology, CAS and Beijing Institute for Stem Cell and Regeneration	South Korea	Pending	N/A
ZH903	A midbrain dopamine cell population, the production method and use thereof (divisional case)	Invention	Institute of Zoology, CAS and Beijing Institute for Stem Cell and Regeneration	China	Pending	N/A
ZH901	Method for detecting PSCs by detecting HES3	Invention	Our Company	China	Pending	N/A

Note:

(1) Patent expiration does not include any applicable patent term extensions.

Copyrights

As of the Latest Practicable Date, we had registered the following computer software copyright which we consider to be or may be material to our business:

No.	Copyright	Registered owner	Registration number	Development completion date	Registration date
1	Full-text search system of Zephyrm Bioscience (澤輝生物全文檢索系統)	Beijing Zephyrm	2021SR1716164	August 15, 2021	November 12, 2021
2	Financial Budgeting System of Zephyrm Bioscience (澤輝生物財務預算系統)	Beijing Zephyrm	2021SR1704755	June 5, 2021	November 11, 2021
3	Quality document management system of Zephyrm Bioscience (澤輝生物質量文件管理系統)	Beijing Zephyrm	2021SR1702616	July 20, 2021	November 11, 2021
4	Smart attendance system of Zephyrm Bioscience (澤輝生物智慧考勤系統)	Beijing Zephyrm	2021SR1704754	September 10, 2019	November 11, 2021
5	Cryopreservation management system for cell products (細胞產品凍存管理系統)	Beijing Zephyrm	2020SR1709167	September 10, 2020	December 2, 2020
6	Storage and transportation management system for cell products (細胞產品倉儲運輸管理系統)	Beijing Zephyrm	2020SR1709209	August 20, 2020	December 2, 2020
7	Quality control system for hESCs (人胚幹細胞質量控制系統)	Beijing Zephyrm	2020SR1709169	June 15, 2020	December 2, 2020
8	Culture and differentiation management system for hESCs (人胚幹細胞培養分化管理系統)	Beijing Zephyrm	2020SR1709170	May 10, 2020	December 2, 2020
9	Management system for hESC products (人胚幹細胞產品管理系統)	Beijing Zephyrm	2020SR1709168	October 25, 2020	December 2, 2020
10	Quality control system for CAStem cells (CAStem細胞質量控制系統)	Beijing Zephyrm	2020SR1709173	November 5, 2020	December 2, 2020
11	Temperature detection system for CO2 incubators (CO2培養箱溫度檢測系統)	Beijing Zephyrm	2020SR1709178	July 5, 2020	December 2, 2020

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.	Trademark	Registered owner	Class	Registration number	Expiry date
1		Suzhou Zephyrm	44	38088088	July 28, 2020 to July 27, 2030
2		Suzhou Zephyrm	35	33347785	September 7, 2019 to September 6, 2029
3		Suzhou Zephyrm	42	33347783	September 7, 2019 to September 6, 2029
4		Suzhou Zephyrm	44	33347780	June 28, 2020 to June 27, 2030
5		Suzhou Zephyrm	5	33347548	May 28, 2019 to May 27, 2029
6		Suzhou Zephyrm	10	33347545	May 21, 2019 to May 20, 2029

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 name	Registered owner	Expiry date
1	zephyrm.com	Beijing Zephyrm	November 12, 2025

C. FURTHER INFORMATION ABOUT OUR DIRECTORS

1. Particulars of Directors' service contracts and appointment letters

Our executive Director [entered into] a service contract with our Company on [•], and such service contract is for an initial term of three years commencing from the **[REDACTED]**. The service contracts may be renewed in accordance with our Articles and the applicable laws, rules and regulations.

Each of our non-executive Directors and our independent non-executive Directors, entered into a letter of appointment with our Company on [•]. Each letter of appointment is for an initial term of [three] years commencing from the **[REDACTED]**. The letters of appointment may be renewed in accordance with our Articles and the applicable laws, rules and regulations.

Save as disclosed above, none of our Directors has or is proposed to have a service contract with any member of our Group other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

2. Remuneration of Directors

For details of the remuneration of our Directors, see "Directors and Senior Management – Emolument of Directors and Senior Management" in this document and Note 7 to the Accountant's Report to this document.

3. Disclosure of interests

***Interests and short positions of our Directors in the share capital of our Company or our associated corporations following completion of the* [REDACTED]**

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 or our 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 is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the 'Model Code for Securities Transactions by Directors of Listed Issuers' contained in the Listing Rules, to be notified to our Company and the Stock Exchange are set out below:

Interest in our Company

Name of Director	Nature of interest	Number of Shares held immediately following completion of the [REDACTED] (assuming the [REDACTED] is not exercised)	Approximate % interest in total issued Shares immediately after the [REDACTED] (assuming the [REDACTED] is not exercised)
Mr. DONG Xin (董鑫) ("**Mr. Dong**")*Note*	Interest in controlled corporation	53,044,938	**[REDACTED]**%

Note:

Each of Zephyrm Tongchuang Holding Limited ("**Zephyrm Tongchuang Holding**"), Huijin Yonglong Holding Limited ("**Huijin Yonglong**"), Gongqingcheng Zhongquan Holding Limited ("**Gongqingcheng Zhongquan Holding**") and Beijing Xietai Holding Limited ("**Beijing Xietai Holding**") held 26,580,140 Shares, 10,972,307 Shares, 2,133,077 Shares and 2,133,077 Shares, respectively. As of the Latest Practicable Date, Zephyrm Tongchuang Holding was owned as to approximately 81%, 11% and 8% by Dongxin Phase II Holding Limited ("**Dongxin Phase II**"), Jiayi Phase II Holding Limited and Huangli Holding Limited, respectively. Huijin Yonglong was owned as to approximately 42% by Dongxin Phase II. Gongqingcheng Zhongquan Holding was wholly-owned by Dongxin Phase II. Beijing Xietai Holding was owned as to approximately 57.45% by Dongxin Phase II. Dongxin Phase II was owned as to approximately 10% by Dongxin Phase I Holding Limited ("**Dongxin Phase I**"), a wholly-owned company incorporated in BVI of Mr. Dong and 90% by Shawn Tung Limited, a holding company pursuant to the family trust of Mr. Dong, respectively. As such, under the SFO, each of Mr. Dong, Dongxin Phase I and Dongxin Phase II is deemed to be interested in the equity interest held by each of Zephyrm Tongchuang Holding, Huijin Yonglong, Gongqingcheng Zhongquan Holding and Beijing Xietai Holding. Each of Yingshi Shengwu, Yingshi Phase II and Yingsheng Fukun was ultimately controlled by Mr. Dong pursuant to their respective internal arrangement. As such, under the SFO, Mr. Dong is deemed to be interested in the equity interests held by each of Yingshi Shengwu, Yingshi Phase II and Yingsheng Fukun.

Interests and short positions disclosable under Divisions 2 and 3 of Part XV of the SFO

For information, so far as is known to our Directors or chief executive, of each person, other than our Director or chief executive, who immediately following completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised) will have an interest or short position in the Shares or underlying shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, is, directly or indirectly, interested in 10% or more of the issued voting shares of any class of shares of our Company or any other member of our Group. For details, see "Substantial Shareholders" in this document.

D. 2024 RSU PLAN

The following is a summary of the principal terms of the Restricted Share Unit Plan 2024 of our Company as approved by the Board of the Company (the "**2024 RSU Plan**") on September 29, 2024 (the "**Effective Date**"). The terms of the 2024 RSU Plan are not subject to the provisions of Chapter 17 of the Listing Rules.

(a) Purpose of the 2024 RSU Plan

The purpose of the 2024 RSU Plan is to promote the success and enhance the value of our Company by linking the personal interests of the members of the Board, employees and consultants to those of our Group and by providing such individuals with an incentive for outstanding performance to generate superior returns to our Group. The 2024 RSU Plan is further intended to provide flexibility to our Company in its ability to motivate, attract and retain the services of members of the Board, employees, and consultants upon whose judgment, interest and special efforts the successful conduct of our Company's operation is largely dependent.

(b) Selected Participants to the 2024 RSU Plan

The participants of the 2024 RSU Plan (the "**Participants**") include a person who, as a member of the Board, Consultant (as defined below) or Employee (as defined below). The Administrator, at any time and from time to time, may grant Awards to Participants as the Administrator, in its sole discretion, shall determine. The Administrator (as defined below), in its sole discretion, shall determine the number of RSU to be granted to each Participant.

"**Consultant**" means a person, other than an Employee, who provide services to our Company and/or its subsidiaries on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long-term growth of our Company and/or subsidiaries. For the avoidance of doubt, Consultant may not include placing agents or financial advisers providing advisory services for fundraising, mergers or acquisitions, as well as professional service providers such as auditors or valuers who provide assurance, or are required to perform their services with impartiality and objectivity.

"**Employee**" means any person, including an officer or a member of the Board or a member of the board of any subsidiary of our Company, who is in the employment of our Company or any subsidiary or affiliate of our Company to which a Participant provides services as an Employee or a Consultant (the "**Service Recipient**"), subject to the control and direction of the Service Recipient as to both the work to be performed and the manner and method of performance. The payment of a director's fee by a Service Recipient shall not be sufficient to constitute "employment" by the Service Recipient.

(c) Maximum Number of Shares

The total number of Shares underlying the 2024 RSU Plan (the "**Award Pool**") shall initially be equal to 16,018,304 Shares. To the extent that an award of RSUs granted to a Participant pursuant to the 2024 RSU Plan (the "**Award**") terminates, expires or lapses or is forfeited for any reason, any Shares subject to the Award shall again be available for the grant of an Award pursuant to the 2024 RSU Plan.

(d) Administration

The 2024 RSU Plan shall be subject to the administration of Dr. Zhang or such other person appointed by the Board, to administer the 2024 RSU Plan and/or to deal with the trust/the trustee (the "**Administrator**"). The Administrator shall have the sole and absolute right to:

(i) interpret and construe the provisions of the 2024 RSU Plan or any restricted share units award agreement and other written agreement, contract, or other instrument or document evidencing an Award granted by the Administrator (the "**Award Agreement**");

(ii) determine the Participants to receive Awards under the 2024 RSU Plan;

(iii) determine the number of Awards to be granted and the number of RSU and the underlying Shares to which an Award will relate;

(iv) determine the terms and conditions on which Awards are granted, including, without limitation, the exercise price, grant price, or purchase price of an Award, when an Award granted pursuant to the 2024 RSI Plan may vest, any restrictions or limitations on an Award, any schedule for lapse or forfeiture restrictions or restrictions on the exercisability of an Award, and accelerations or waivers thereof, any provisions related to non-competition and recapture of gain on an Award, based in each case on such considerations as the Administrator in its sole discretion determines;

(v) determine whether, to what extent, and pursuant to what circumstances an Award may be settled in Shares, or cash, or other Awards or other property, or an Award may lapse or be canceled, forfeited, terminated or surrendered;

(vi) prescribe the form of each Award Agreement, which need not be identical for each Participant;

(vii) determine the fair market value, consistent with the terms of the 2024 RSU Plan;

(viii) establish, adopt or revise any rules and regulations as it may deem necessary or advisable to administer the 2024 RSU Plan;

(ix) manage the Award Pool through special purpose vehicle companies, trust arrangement and other vehicles which the Administrator may consider appropriate;

(x) make such appropriate and equitable adjustments to the terms of the Awards granted under the 2024 RSU Plan as it deems necessary;

(xi) decide all other matters that must be determined in connection with an Award and exercise all other rights and authorities specified in the 2024 RSU Plan or any Award Agreement; and

(xii) make such other decisions or determinations as it shall deem appropriate in the administration of the 2024 RSU Plan.

All the decisions, determinations and interpretations made by the Administrator shall be final, conclusive and binding on all parties.

(e) Grant of Awards

The Administrator, at any time and from time to time, may grant Awards to Participants as the Administrator, in its sole discretion, shall determine. The Administrator, in its sole discretion, shall determine the number of RSU to be granted to each Participant.

(f) Vesting of Awards

Subject to the terms of the 2024 RSU Plan and the specific terms and conditions applicable to each Award, the RSU granted in an Award may be subject to a vesting period and to the satisfaction of performance criteria and/or other conditions to be determined by the Administrator in its absolute discretion. If such conditions are not satisfied, the RSU shall automatically lapse and be forfeited on the date on which such conditions are not satisfied, unless the Administrator in its sole discretion determines otherwise.

(g) Settlement of Awards

Settlement of any vested RSU may be made in the form of Shares, cash or other form or in a combination thereof, as determined by the Administrator in its sole discretion. Vested RSU shall be settled in such manner and at such time(s) as specified in the Award Agreement. Subject to the terms and conditions of the Award Agreement and any applicable law from time to time, settlement of vested RSU shall only occur at the time(s) or during the period(s) as determined by the Administrator in its sole discretion after the Company completes an **[REDACTED]** and the applicable lock-up period expires.

Notwithstanding the above, if a Participant is a PRC resident, he/she shall not be entitled to receive any Share(s) until: (i) to the extent applicable, any restriction or condition imposed by the relevant PRC laws, regulations and notices in relation to the subscription of or dealing in shares of overseas listed companies by PRC residents or any law, regulation or notice with similar effects have been abolished or removed or ceased to be applicable to the Participant or the Participant has obtained approval, exemption or waiver from the relevant PRC regulatory authorities for the subscription of and dealing in the Awarded Shares; and (ii) he/she has given a representation to the Administrator to the effect that he/she has satisfied all the relevant laws and regulations.

(h) Payment of Purchase Price

Payment of a purchase price for the Shares covered by an Award at the time of settlement shall be made (a) in RMB or US$ in cash, or (b) at the sole discretion of the Administrator and to the extent permissible under the applicable law, in other currency in cash, or (c) at the sole discretion of the Administrator, by having our Company retain from the Shares otherwise deliverable upon settlement, a number of Shares having a fair market value equal as of the date of settlement to the aggregate purchase price for the number of Shares as to which an Award is being settled, or (d) at the sole discretion of the Administrator, by payment of such other lawful consideration as the Administrator may determine, or (e) at the sole discretion of the Administrator, by any combination of (a) through (d) above.

(i) Lapse/Forfeiture

RSU, vested or unvested, shall be subject to lapse and/or forfeiture as specified in the Award Agreement. The Administrator has the right to decide, in its sole discretion, if any RSU, vested or unvested, shall lapse and/or be forfeited or not in accordance with the terms and conditions set forth in the 2024 RSU Plan and the Award Agreement, and such determination by the Administrator shall be final and conclusive.

(j) Restrictions on Transfer

No right or interest of a Participant in any Award may be pledged, encumbered, or hypothecated to or in favor of any party other than our Company or a Subsidiary, or shall be subject to any lien, obligation, or liability of such Participant to any other party other than our Company or a subsidiary. Except as otherwise provided by the Administrator, no Award shall be assigned, transferred or otherwise disposed of by a Participant other than by will or the laws of descent and distribution. Subject to applicable laws, the Administrator by express provision in the Award Agreement or an amendment thereto may permit an Award to be transferred to, exercised by and paid to certain persons or entities related to the Participant, including, without limitation, members of the Participant's family, charitable institutions, or trusts or other entities whose beneficiaries or beneficial owners are members of the Participant's family and/or charitable institutions, or to such other persons or entities as may be expressly approved by the Administrator, pursuant to such conditions and procedures as the Administrator may establish. Any permitted transfer shall be subject to the condition that the Administrator receives evidence satisfactory to it that the transfer is being made for estate and/or tax planning purposes and on a basis consistent with our Company's lawful issue of securities.

(k) Adjustments

In the event of any share dividend, share split, combination or exchange of Shares, amalgamation, arrangement or consolidation, spin-off, recapitalization or other distribution (other than normal cash dividends) of Company assets to its shareholders, or any other change affecting the Shares or the price of a Share, the Administrator shall make such proportionate adjustments, if any, to reflect such change with respect to (a) the aggregate number and type of shares that may be issued under the 2024 RSU Plan; (b) the terms and conditions of any outstanding Awards (including, without limitation, any applicable performance targets or criteria with respect thereto); and (c) the number of shares covered by an Award or exercise price per share for any outstanding Awards under the 2024 RSU Plan, subject to applicable laws.

(l) Amendment, Modification and Termination

The 2024 RSU Plan may be amended, modified or terminated in any respect by a resolution of the Board. At any time and from time to time, the Administrator may terminate, amend or modify the Plan provided, however, to the extent necessary to reflect and comply with any amendments of the applicable law, any Shareholders agreement, the Articles of Association and any other agreements by and among our Company and our Company's shareholders after the Effective Date in relation to the 2024 RSU Plan.

(m) No Shareholders Rights

No Award gives the Participant any of the rights of a shareholder of the Company unless and until Shares are in fact issued, delivered or transferred to such person in connection with such Award pursuant to the applicable Award Agreement.

(n) Outstanding RSUs Granted

All of the RSUs under the 2024 RSU Plan have been granted to 31 grantees at purchase price of RMB0.1409 on September 29, 2024 and all such RSUs will be vested on the first day immediately following the **[REDACTED]** Date. None of the grantees is a connected person of our Company.

(o) Dilution Effect After [REDACTED]

To implement the 2024 RSU Plan our Company established a trust with Core Trust Company Limited (匯聚信託有限公司) ("**Core Trust**") as the trustee. Zephyrm Tongchuang Phase II Holding was incorporated as an employee incentive platform in BVI as a limited company on July 29, 2024. Zephyrm Tongchuang Phase II Holding allotted and issued 999 shares to SURE TRADE INTERNATIONAL LIMITED, which was wholly-owned by Core Trust via TCT (BVI) Limited, holding relevant Shares on trust. The maximum number of shares which may be issued under the 2024 RSU Plan is 16,002,286 Shares. On September 29, 2024, our Company issued 16,018,304 Ordinary Shares, among which 16,002,286 Ordinary Shares were issued and allotted for the 2024 RSU Plan, representing approximately 6.64% of total issued Shares as of September 30, 2024 to Zephyrm Tongchuang Phase II Holding at par value to facilitate the administration of the 2024 RSU Plan. All outstanding RSUs under the 2024 RSU Plan have been granted and will be vested on the first day immediately following the **[REDACTED]**. No further Shares will be issued by our Company under the 2024 RSU Plan upon **[REDACTED]**. The 2024 RSU Plan will not have any dilutive effect on the shareholding of our Shareholders after the **[REDACTED]**.

E. OTHER INFORMATION

1. Estate duty

Our Directors have been advised that no material liability for estate duty is likely to fall upon any member of our Group.

2. Litigation

No litigation, arbitration or claim is known to our Directors to be pending or threatened by or against our Company that would have a material adverse effect on our Company's results of operations or financial condition.

3. Sole sponsor

China International Capital Corporation Hong Kong Securities Limited satisfies the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules.

The Sole sponsor will receive an aggregate of US$0.5 million for acting as the sponsor for the **[REDACTED]**.

4. Consent of experts

This document contains statements made by the following experts:

Name	Qualification
China International Capital Corporation Hong Kong Securities Limited	A licensed corporation under the SFO for type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts) and type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
Jingtian & Gongcheng	PRC Legal Adviser
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountant Ordinance (Cap. 50) and Registered Public Interest Entity Auditor under Accounting and Financial Reporting Council Ordinance (Cap. 588)
Harney Westwood & Riegels	Cayman Islands legal adviser
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant

As of the Latest Practicable Date, none of the experts named above has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

Each of the experts named above has given and has not withdrawn its written consent to the issue of this document with copies of its reports, letters, opinions or summaries of opinions (as the case may be) and the references to its name included herein in the form and context in which they are respectively included.

5. Binding effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

6. Bilingual document

The English language and Chinese language versions of this document are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

7. Preliminary expenses

We have not incurred any material preliminary expenses in relation to the incorporation of our Company.

8. Disclaimers

(a) Save as disclosed in this document, within the two years immediately preceding the date of this document:

(i) there are no commissions for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares in or debentures of our Company; and

(ii) there are no commissions, discounts, brokerages or other special terms granted in connection with the issue or sale of any capital of any member of our Group, and no Directors, promoters or experts named in "– E. Other Information – 4. Consent of experts" in this section above received any such payment or benefit.

(b) Save as disclosed in this document:

(i) there are no founder, management or deferred shares in our Company or any member of our Group;

(ii) we do not have any promoter and no cash, securities or other benefit has been paid, allotted or given within the two years immediately preceding the date of this document, or are proposed to be paid, allotted or given to any promoters;

(iii) none of the Directors or the experts named in "– E. Other Information – 4. Consent of experts" in this section above has any interest, direct or indirect, in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(iv) there are no bank overdrafts or other similar indebtedness by our Company or any member of our Group;

(v) there are no hire purchase commitments, guarantees or other material contingent liabilities of our Company or any member of our Group;

(vi) there are no outstanding convertible debt securities or debentures of our Company or any member of our Group;

(vii) there are no other stock exchange on which any part of the equity or debt securities of our Company is **[REDACTED]** in or on which **[REDACTED]** or permission to **[REDACTED]** is being or is proposed to be sought;

(viii) no capital of any member of our Group is under option, or is agreed conditionally or unconditionally to be put under option;

(ix) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this document; and

(x) there are no contracts or arrangements subsisting at the date of this document in which a Director is materially interested or which is significant in relation to the business of our Group.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

(a) for details of the written consents, see "Statutory and General Information – E. Other Information – 4. Consent of experts " in Appendix V to this document; and

(b) for details of copies of the material contracts, see "Statutory and General Information – B. Further Information about our Business – 1. Summary of material contracts" in Appendix V to this document.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be published on the Stock Exchange's website (**www.hkexnews.hk**) and the Company's own website (**https://zephyrm.com**) for a period of time for 14 days from the date of this document:

(a) the Memorandum of Association and the Articles of Association;

(b) the material contracts referred to in "Statutory and general information – B. Further information about our Business – 1. Summary of material contracts" in Appendix V to this document;

(c) the service contracts and the letters of appointment with our Directors referred to in "Statutory and General Information – C. Further Information about our Directors – 1. Particulars of Directors' service contracts and appointment letters" in Appendix V to this document;

(d) the Accountant's Report and the report on the unaudited **[REDACTED]** financial information of our Group from PricewaterhouseCoopers, the texts of which are set out in Appendix I and Appendix II, respectively, to this document;

(e) the audited combined financial statements of our Company for the years ended December 31, 2022 and 2023 and the six months ended June 30, 2024;

(f) the report issued by Frost & Sullivan, a summary of which is set forth in "Industry Overview" in this document;

(g) the PRC legal opinions issued by Jingtian & Gongcheng in respect of certain general corporate matters and property interests in the PRC of our Group;

(h) the letter of advice prepared by Harneys Fiduciary (Cayman) Limited, our legal advisor on Cayman Islands law, summarizing certain aspects of Cayman companies laws see in Appendix IV to this document;

(i) the terms of the 2024 RSU Plan;

(j) the Cayman Companies Act; and

(k) the written consents referred to in "Statutory and General Information – E. Other Information – 4. Consent of experts" in Appendix V to this document.