Application Proof of

Jiangsu Hengrui Pharmaceuticals Co., Ltd.
江蘇恒瑞醫藥股份有限公司

(the "**Company**")

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

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Jiangsu Hengrui Pharmaceuticals Co., Ltd.
江蘇恒瑞醫藥股份有限公司

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

[REDACTED]

Number of [REDACTED] under the [REDACTED]	**:**	**[REDACTED] H Shares [(subject to the [REDACTED])]**
Number of [REDACTED]	**:**	**[REDACTED] H Shares [(subject to [REDACTED])]**
Number of [REDACTED]	**:**	**[REDACTED] H Shares [(subject to [REDACTED] and the [REDACTED])]**
Maximum [REDACTED]	**:**	**HK$[REDACTED] per H Share plus [REDACTED] in Hong Kong dollars and subject to refund**
Nominal value	**:**	**RMB1.00 per H Share**
[REDACTED]	**:**	**[REDACTED]**

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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.*

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OVERVIEW

We are a leading global innovative pharmaceutical company rooted in China. We have been ranked as one of the global Top 50 pharmaceutical companies by Pharm Exec for six consecutive years since 2019. We were also ranked 8th on the list of "Top 25 Global Pharma Companies by Pipeline Size" published by Citeline in 2024. Furthermore, as a strong validation of our innovation results, we had a leading position among Chinese pharmaceutical companies, in terms of revenue from new molecular entity ("NME") drugs in 2023 and the number of NME drug candidates in clinical or later stages of development as of the Latest Practicable Date, according to Frost & Sullivan.

These achievements have been enabled by Hengrui's ecosystem, comprising great talent, organization, and culture, which underlies our research, clinical, manufacturing, and commercialization capabilities. Through decades of efforts, we have substantially transformed into a leading global pharmaceutical company focused on highly innovative therapies to address immense unmet medical needs worldwide. Our persistent R&D investments and dedicated innovation, especially since our initial public offering (IPO) of A Shares in 2000, have contributed to the establishment of a large portfolio of differentiated innovative drugs, including several potential blockbusters. Our commitment to innovation is evidenced by our capital allocation, with our R&D expenses as a percentage of our total revenue being 21.7% in 2023. We are also committed to delivering attractive shareholder returns. For example, we have distributed cumulative cash dividends of approximately RMB8,029 million since our A Share IPO, representing 16.8 times of our A Share IPO proceeds, which was the only occasion we raised funds from the capital markets.

Focus on Immense Unmet Medical Needs

We strategically focus on comprehensive therapeutic areas with significant unmet medical needs and growth potential. These mainly include: (i) oncology, (ii) metabolic and cardiovascular diseases, (iii) immunological and respiratory diseases, and (iv) neuroscience. According to Frost & Sullivan, the aggregate global pharmaceutical market of these major therapeutic areas in 2023 was US$845.8 billion, accounting for 57.4% of the overall global pharmaceutical market for the same year; and it is expected to grow at a CAGR of 6.4% from 2023 to 2028, surpassing the CAGR of 5.7% for the overall global pharmaceutical market growth during the same period.

Differentiated Innovative Product Matrix

We have developed an industry-leading and highly differentiated matrix of innovative products, including several potential blockbusters. Our oncology portfolio has strategically expanded from solid tumors to hematological malignancies and provides a comprehensive coverage of neoadjuvant, adjuvant and later lines of treatment. We also provide therapeutics for prevention and treatment of major chronic diseases. As of the Latest Practicable Date, we had a portfolio of 17 commercialized NME drugs and a pipeline of over 90 NME drug candidates in clinical or later stages of development. We expect to maintain strong growth momentum in the rollout of innovative products. For example, we submitted eight new drug applications ("NDAs")/biologics license applications ("BLAs") for our innovative drugs in 2024. To demonstrate our R&D efforts and productivity, from 2022 to 2024, research and clinical studies investigating our products and product candidates resulted in 1,019 peer-reviewed papers in international academic journals, including high-impact journals such as *The Lancet*, *British Medical Journal, JAMA, Nature Medicine, and Journal of Clinical Oncology*, with a cumulative impact factor of approximately 7,173 across these publications.

Leading R&D Capabilities

Multi-pronged Approach and Leading Technology Platforms. We strategically employ a multi-pronged approach to researching and developing drug assets with varying properties for identified druggable targets. Over the decades, we have extended our research beyond small molecules to encompass a wide range of additional modalities, including proteolysis-targeting chimeras (PROTACs), peptides, monoclonal antibodies (mAbs), bispecific antibodies (BsAbs), multi-specific antibodies, antibody-drug conjugates (ADCs), and radioligand therapies (RLTs). This multi-pronged approach supported by our leading technology platforms allows us to achieve paradigm-shifting innovation and significantly shorten the lead times for identifying and validating potentially first-in-class or best-in-class compounds. Leveraging our industry foresight and 14 R&D centers strategically located around the world, we have built each of our technology platforms with robust, differentiated functionalities and capabilities across the entire process of innovative drug R&D. Notably, our Hengrui Rapid Modular ADC Platform (HRMAP) and bispecific antibody platforms—Hengrui Obscurin Titin-Ig (HOT-Ig) and Half Antibody Recombination Technology-IgG (HART-IgG)—are our proprietary platforms incorporating cutting-edge technologies that have demonstrated the ability to generate differentiated new molecules.

We make modular evolutions to our platforms and capitalize on platform synergies to rapidly iterate and optimize our conjugates as potential drug candidates. For example, through our ADC platform, we have successfully extended our research to construct a new series of "AXC" drugs, where X can be a peptide, oligonucleotide, or small molecule protein degrader. In addition, on the antibody component of these drugs, we are utilizing our translational medicine expertise to identify novel tumor (or target)-associated-antigens (TAAs) and create synergies between different TAAs. Furthermore, in terms of conjugation methods, we are developing various site-specific conjugation methods in addition to conventional cysteine conjugation. In respect of the payload component, we are actively exploring cytotoxic payloads with new mechanisms of action (MOAs) and expanding our payload library to cover various modalities in therapeutic areas beyond oncology. We have also pioneered the development of degrader-antibody conjugates (DACs) and antibody-oligonucleotide conjugates (AOCs). DACs and AOCs are novel targeted therapies with differentiated MOAs compared to ADCs. In contrast to molecular glue degraders, DACs, with protein degraders as payloads carried by antibodies, have demonstrated favorable efficacy and safety profiles and the potential to overcome drug resistance in preclinical settings. AOCs, by combining the targeting capabilities of antibodies with the gene regulatory potential of oligonucleotides, precisely modulate disease-causing proteins.

End-to-end Clinical Development. We have built strong end-to-end clinical development capabilities to ensure the superior efficiency and quality of our drug development process. We pursue a patient-oriented clinical strategy—which involves fast proof of concept, patient stratification, adaptive trial designs, and modular evolution in combination therapies—to efficiently bring differentiated high-quality therapeutics to the global market. As of December 31, 2024, our in-house clinical development team covered approximately 5,000 clinical investigators, and we were conducting approximately 400 clinical trials for over 90 innovative drug candidates. In 2024, we enrolled nearly 20,000 participants in our clinical studies. From 2018 to the Latest Practicable Date, we had obtained approximately 60 facilitated regulatory pathways in China, the U.S., the EU, and other overseas markets. Our in-house clinical development capabilities allow us to efficiently expedite regulatory timelines while ensuring the robust quality of our clinical trials.

In addition to our superior efficiency, under the "patient first" guidepost, our pharmacovigilance professionals continuously monitor drug safety data to ensure patients' well-being and the integrity of our clinical development. Furthermore, we maintain robust quality assurance for the entire process of our clinical trials through a dedicated team of highly experienced clinical quality professionals. During the Track Record Period and up to the Latest Practicable Date, our clinical programs achieved a 100% pass rate with zero critical deficiencies in approximately 90 GCP inspections conducted by the NMPA and the U.S. FDA. In particular, in March, October, and November 2024, the U.S. FDA conducted bioresearch monitoring inspections at three of our oncology clinical trial sites, and all of these inspections resulted in a classification of "No Action Indicated (NAI)," representing the highest standard of GCP compliance and the best outcome of a U.S. FDA inspection.

Talent and Culture of Innovation. To maintain our competitive strengths in the areas described above, we have made significant investments in and place great emphasis on first-tier talent and a culture of innovation. Our all-round, top-notch R&D team is at the core of our superior R&D and chemistry, manufacturing and controls (CMC) capabilities. Nearly 60% of our over 5,500 R&D team members as of September 30, 2024 hold a master's or higher degree. Many of them have years of experience at leading multinational pharmaceutical companies and renowned research institutes. Moreover, over 30% of our mid-level or above management members as of November 30, 2024 have overseas education or work experience. We benefit from their cross-disciplinary expertise that spans a variety of fields, such as chemistry, biology, pharmacology, toxicology, pharmacovigilance, and translational and clinical research. Leveraging our great talent and culture, we are able to efficiently and swiftly develop highly differentiated innovative pharmaceutical products.

Global-standard Manufacturing System

Leveraging our over 50 years of manufacturing experience, we have established a global-standard manufacturing system to ensure quality excellence, supply stability, and cost efficiency. Our quality management system is designed in accordance with applicable GMP standards, and our exported products comply with or exceed global quality standards including the EU GMP, the U.S. cGMP, and the ICH Quality Guidelines. In addition, we have extensive compliance experience under the manufacturing and quality-related requirements of overseas regulators such as the EMA and the U.S. FDA. For example, we obtained U.S. FDA approval for a total of three abbreviated new drug applications ("ANDAs") for our first-to-market generics in January, July, and October 2024. Separately, we frequently receive inspections from our existing and potential global partners, leading to many long-term collaborations. These achievements reaffirm the global recognition of our quality management system. Moreover, in line with our global expansion and to address the increasingly stringent regulatory scrutiny, we have further reinforced our CMC system and strengthened our quality team. In particular, we have recently hired our Chief Quality Officer, an industry veteran with over 30 years of global experience (including experience working at the U.S. FDA) in the pharmaceutical industry. At the same time, our manufacturing infrastructure is industry-leading among Chinese pharmaceutical companies in terms of site area, annual designed production capacity, and range of pharmaceutical products produced.

Robust Commercialization Capabilities

We have established industry-leading commercialization capabilities to propel our sustainable growth. This is demonstrated by our comprehensive and tiered channel coverage enabled by our robust sales force. Our highly specialized sales force has been carefully curated into complementary functions to effectively market and promote our products. As of September 30, 2024, we had a dedicated in-house sales and marketing team of approximately 9,000 employees, which was an industry-leading scale among Chinese pharmaceutical companies, according to Frost & Sullivan. As of the same date, our sales network covered over 22,000 hospitals and over 200,000 offline retail pharmacies across over 30 provincial-level regions in China, which was an industry-leading coverage among Chinese pharmaceutical companies, according to Frost & Sullivan. In addition, we focus on academic promotion to enhance the market awareness of our brand and innovation, including collaborating with clinical investigators and key opinion leaders, publishing our R&D results in high-impact journals and presenting at renowned medical conferences.

Accelerated Global Expansion

In recent years, we have been accelerating our global expansion to unlock and maximize the potential of our product matrix and technology platforms. As of the Latest Practicable Date, we had initiated over 20 overseas clinical trials, including in the U.S., Europe, Australia, Japan, and South Korea, and had commercialized our products in over 40 countries. In 2024, we obtained three fast track designations and three ANDAs from the U.S. FDA for our products. In addition, since 2018, we have carried out 12 out-licensing transactions with global partners, involving 15 molecular entities. The aggregate deal value of these transactions was approximately US$12 billion, with total upfront payments of approximately US$400 million, in addition to equity interest in certain collaboration partners. Among these transactions, our transaction with Kailera Therapeutics, with a total deal value of approximately US$6 billion, was a landmark partnering transaction in China's pharmaceutical industry. In addition, these transactions included our out-licensing to a fully owned subsidiary of Merck KGaA, Darmstadt, Germany ("MRKDG") and IDEAYA Biosciences.

Remarkable Financial Performance

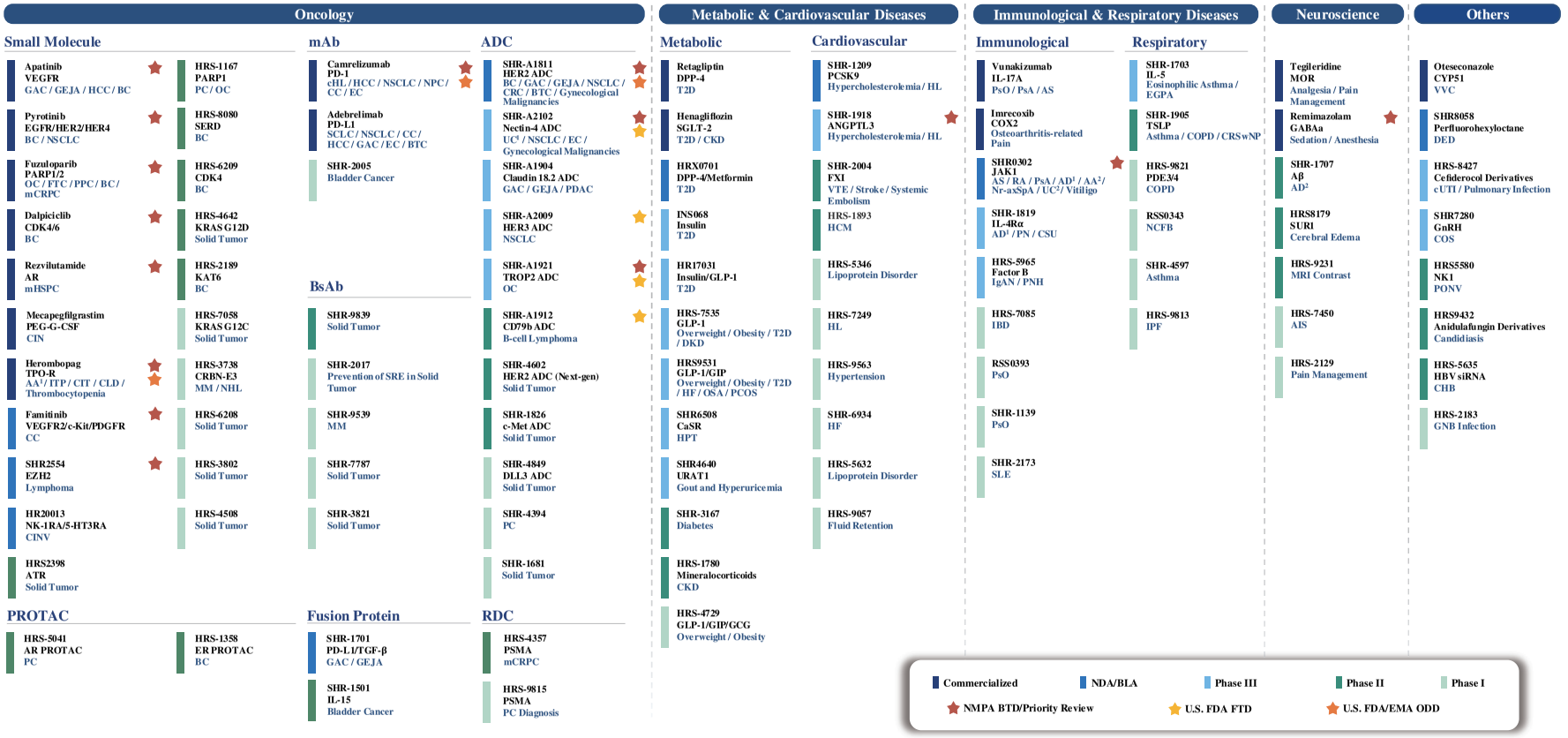
Through continuous innovation, we have achieved remarkable financial performance. Specifically, our total revenue reached RMB22.8 billion in 2023, representing an approximately 14% CAGR from 2013, compared to an approximately 4% CAGR for the global pharmaceutical market during the same period. Moreover, innovative drugs have become a major source of our revenue. Our revenue from sales of innovative drugs as a percentage of our total revenue increased from 38.1% in 2022 to 43.4% in 2023 and further to 47.7% in the nine months ended September 30, 2024. In addition, our healthy profitability and strong cash flows enable us to continue investing in R&D activities to propel long-term sustainable growth, thus supporting a virtuous cycle. Our net profit margin increased from 17.9% in 2022 to 18.7% in 2023 and further to 22.9% in the nine months ended September 30, 2024. Over these same respective periods, we generated operating cash inflows of RMB1,265.3 million, RMB7,643.7 million, and RMB4,585.4 million.

We are also committed to good corporate governance, social responsibility, and the environmental sustainability of our business. Our achievements in this respect are highlighted by an ESG rating of "A" that we have received from MSCI for two consecutive years since 2023.

INNOVATIVE PRODUCT PORTFOLIO

We have an extensive drug portfolio that strategically covers a wide spectrum of therapeutic areas with significant unmet medical needs and growth potential. As of the Latest Practicable Date, we had over 110 commercialized drugs, including 17 NME drugs and four other innovative drugs. In addition, as of the same date, we had a pipeline of over 90 NME drug candidates and eight other innovative drug candidates in clinical or later stages of development, including over 30 innovative drug candidates in pivotal clinical studies or later stages of development.

The chart below presents certain information about our commercialized NME drugs and NME drug candidates in clinical or later stages of development as of the Latest Practicable Date.



Notes: 1. The list is non-exhaustive; 2. Clinical stage of each product/product candidate represents for its most advanced indication(s); 3. Facilitated regulatory pathways from 2018 to the Latest Practicable Date; 4. We have the co-development and exclusive commercialization rights for linperlisib (PI3Kδ) in the Greater China region

Abbreviations: AA[1] = Aplastic Anemia; AA[2] = Alopecia Areata; AD[1] = Atopic Dermatitis; AD[2] = Alzheimer's Disease; AIS = Acute Ischemic Stroke; AS = Ankylosing Spondylitis; BC = Breast Cancer; BTC = Biliary Tract Cancer; CC = Cervical Cancer; CHB = Chronic Hepatitis B; cHL = classic Hodgkin Lymphoma; CIN = Chemotherapy-induced Neutropenia; CINV = Chemotherapy-induced Nausea and Vomiting; CIT = Chemotherapy-induced Thrombocytopenia; CKD = Chronic Kidney Disease; CLD = Chronic Liver Disease; COPD = Chronic Obstructive Pulmonary Disease; COS = Controlled Ovarian Stimulation; CRC = Colorectal Cancer; CRSwNP = Chronic Rhinosinusitis with Nasal Polyps; CSU = Chronic Spontaneous Urticaria; cUTI = complicated Urinary Tract Infection; DED = Dry Eye Syndrome; DKD = Diabetic Kidney Disease; EC = Esophageal Cancer; EGPA = Eosinophilic Granulomatosis with Polyangiitis; FTC = Fallopian Tube Carcinoma; GAC = Gastric Adenocarcinoma; GEJA = Gastroesophageal Junction Adenocarcinoma; GNB = Gram-negative Bacteria; HCC = HepatocellularCarcinoma; HCM = Hypertrophic Cardiomyopathy; HF = Heart Failure; HL = Hyperlipidemia; HPT = Hyperparathyroidism; IBD = Inflammatory Bowel Disease; IgAN = IgA Nephropathy; IPF = Idiopathic Pulmonary Fibrosis; ITP = Immune Thrombocytopenia; LC = Lung Cancer; mCRPC = Metastatic Castration-Resistant Prostate Cancer; mHSPC = Metastatic Hormone Sensitive Prostate Cancer; MM = Multiple Myeloma; MRI = Magnetic Resonance Imaging; NCFB = Non Cystic-Fibrosis Bronchiectasis; NHL = Non-Hodgkin Lymphoma; NPC = Nasopharyngeal Carcinoma; Nr-axSpA = Non-radiographic Axial Spondyloarthritis; NSCLC = Non-Small Cell Lung Cancer; OC = Ovarian Cancer; OSA = Obstructive Sleep Apnea; PC = Prostate Cancer; PCOS = Polycystic Ovary Syndrome; PDAC = Pancreatic Ductal Adenocarcinoma; PN = Prurigo Nodularis; PNH = Paroxysmal Nocturnal Hemoglobinuria; PONV = Postoperative Nausea and Vomiting; PPC = Primary Peritoneal Carcinoma; PsA = Psoriatic Arthritis; PsO = Psoriasis; RA = Rheumatoid Arthritis; SCLC = Small Cell Lung Cancer; SLE = Systemic Lupus Erythematosus; SpA = Spondyloarthritis; SRE = Skeletal-related Event; T2D = Type 2 Diabetes; UC[1] = Urothelial Carcinoma; UC[2] = Ulcerative Colitis; VTE = Venous Thromboembolism; VVC = Vulvovaginal Candidiasis

Oncology. The breadth of our portfolio maximizes the potential of combination therapies, allowing us to explore regimens that provide meaningful improvements, in particular, on patients' progression-free survival and overall survival, over the current standard of care. Our continued progress in novel cancer therapies and paradigm-shifting innovation efforts are best exemplified by the following product clusters:

- a cluster of immuno-oncology drugs, including (i) camrelizumab, a novel anti-PD-1 antibody, (ii) adebrelimab, a novel anti-PD-L1 antibody, (iii) retlirafusp alfa (SHR-1701), a PD-L1/TGF-β bifunctional fusion protein, and (iv) an anti-DLL3/CD3 bispecific antibody (as well as other CD3-based T cell engagers, γδ T cell engagers, and NK cell engagers);

- a cluster of ADC drugs, including (i) trastuzumab rezetecan (SHR-A1811), a HER2 ADC, (ii) SHR-A2102, a Nectin-4 ADC, (iii) SHR-1826, a c-Met ADC, (iv) SHR-A1904, a Claudin 18.2 (CLDN18.2) ADC, (v) SHR-4849, a DLL3 ADC, (vi) SHR-A2009, a HER3 ADC, and (vii) SHR-A1912, a CD79b ADC;

- a cluster of ER- and CDK-targeting drugs that (i) regulate the expression of ERs such as HRS-2189, a novel KAT6-specific inhibitor, (ii) degrade expressed ERs such as HRS-8080, a novel, oral, small molecule, selective ER degrader (SERD) and HRS-1358, a novel, oral, small molecule ER PROTAC that elicits ER degradation, and (iii) regulate downstream kinase under tiered coverage, including (a) dalpiciclib, a novel, orally available CDK4/6 inhibitor, (b) HRS-6209, a novel, highly efficient, highly selective CDK4 inhibitor, (c) a novel, highly potent and highly selective CDK7 inhibitor, and (d) a novel small molecule CDK4/6/2 inhibitor, with well-balanced CDK4 and CDK2 inhibiting activities; and

- a cluster of RAS-targeting agents, including (i) HRS-7058, a novel, potent, highly selective, next-generation KRAS G12C inhibitor, and (ii) HRS-4642, a novel, potent, long-acting, and highly selective KRAS G12D inhibitor in liposomal injectable form. In addition, we seek to develop next-generation KRAS G12D inhibitors in orally available formulation.

Metabolic and cardiovascular diseases. We strategically focus on the unmet medical needs and develop innovative treatments with more flexible drug administration and enhanced efficacy and/or better safety profiles. Notably, we have developed a portfolio of GLP-1 drugs with distinct mechanisms of action and superior clinical profile across multiple modalities, available in both oral and injectable forms. These include (i) HRS-7535, a novel, oral, small molecule GLP-1 receptor agonist, which offers convenient drug administration benefits, (ii) HRS9531, a novel, once-weekly, GLP-1 and GIP receptor dual agonist, and (iii) HRS-4729, a GLP-1, GIP, and GCG receptor tri-agonist formulated as a long-acting injectable peptide. Furthermore, we have developed a portfolio of siRNA drug candidates that provide precise gene silencing and advancements in delivery systems. These include an siRNA drug candidate targeting apolipoprotein C3 (APOC3), and an siRNA drug candidate targeting angiotensinogen (AGT).

In addition, capitalizing on recent scientific insights, we have developed a robust pipeline of other highly-potent drug candidates for the treatment of metabolic and cardiovascular diseases, including a novel myosin inhibitor, an oral, small molecule Lp(a) inhibitor, and a novel allosteric modulator of the calcium-sensing receptor.

Immunological and respiratory diseases. To address these unmet medical needs, we strategically focus on a wide array of key autoimmune pathologic targets such as T cells, B cells, and complementary pathways. To enhance the effectiveness of our treatments and cater to patients' various needs in these areas, we also employ diversified modalities, including small molecules, peptides, monoclonal and bispecific antibodies, fusion proteins, and inhalation therapies. Our innovative treatments for immunological and respiratory diseases include (i) vunalizumab (SHR-1314), an anti-IL-17A antibody, (ii) ivarmacitinib (SHR0302), a highly selective JAK1 inhibitor, (iii) SHR-1905, a long-acting anti-TSLP antibody, (iv) SHR-1703, a novel, long-acting anti-IL-5 antibody, (v) an anti-IFNAR1/TACI fusion protein, and (vi) an anti-IL-23p19/IL-36R bispecific antibody.

Neuroscience. Our portfolio of neuroscience pharmaceutical products covers neurology, analgesia (or pain management), and anesthesia. We primarily focus on clearly-defined pathogenic mechanisms and develop innovative treatments that have the potential to delay the disease progression. Notably, our innovative treatments in this therapeutic area include (i) SHR-1707, a novel anti-Aβ IgG1 antibody, indicated for the treatment of the Alzheimer's Disease; (ii) HRG2010, a novel extended-release fixed-dose combination composed of carbidopa and levodopa, indicated for the treatment of the Parkinson's Disease; and (iii) a highly selective $Na_V1.8$ inhibitor, which presents significant potential for non-opioid pain management.

OUR STRENGTHS

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

- Leading global innovative pharmaceutical company rooted in China;
- Differentiated innovative product matrix targeting comprehensive therapeutic areas with significant unmet medical needs and growth potential;
- Multi-pronged research capabilities and leading technology platforms that enable us to develop potential blockbuster products;
- End-to-end clinical development capabilities aligned with our patient-oriented strategy to efficiently bring high-quality drugs to the global market;
- Global-standard and industry-leading in-house manufacturing system ensuring quality excellence, supply stability, and cost efficiency;

- Industry-leading commercialization capabilities to propel our sustainable growth;
- Accelerated expansion into the global market, unlocking the potential of our product matrix and technology platforms; and
- Internationally competitive team of industry veterans led by visionary leaders.

OUR STRATEGIES

Our mission is to promote a healthier life for humankind through advancements in science. We will implement the following strategies to achieve our goal:

- Accelerate our global expansion to address immense unmet medical needs worldwide;
- Further bolster our R&D capabilities to develop more highly differentiated innovative drugs;
- Further strengthen our manufacturing system supported by global-standard quality system;
- Further enhance our commercialization capabilities in China and around the globe; and
- Recruit and retain top-notch talent to fuel our innovation and global expansion.

OUR CUSTOMERS

Our customers primarily consist of distributors of our pharmaceutical products in China and around the globe and international pharmaceutical companies to which we out-licensed certain rights with respect to our drugs and drug candidates. As of September 30, 2024, our distribution network comprised 603 distributors in over 30 provincial-level regions in China and for overseas markets. In each of the years ended December 31, 2022 and 2023 and the nine months ended September 30, 2024, we generated revenue of RMB12,724.9 million, RMB14,163.9 million, and RMB12,392.4 million from our five largest customers, respectively, representing 59.8%, 62.0%, and 61.3% of our total revenue for the respective periods.

OUR SUPPLIERS

Our suppliers primarily consist of suppliers of active pharmaceutical ingredients ("APIs"), excipients, and other raw materials. In each of the years ended December 31, 2022 and 2023 and the nine months ended September 30, 2024, our aggregate purchases from our five largest raw material suppliers amounted to RMB842.5 million, RMB957.1 million, and RMB736.4 million, respectively, representing 24.1%, 27.0%, and 26.1% of our cost of sales for the respective periods.

COMPETITIVE LANDSCAPE

China's pharmaceutical market is highly competitive, characterized by a number of large domestic and multinational pharmaceutical companies, as well as some smaller emerging pharmaceutical and biotechnology companies. Our products primarily compete with those indicated for similar conditions as our products on the basis of efficacy, price, brand recognition, and general market acceptance by medical professionals and hospitals. We believe that our competitive edge lies in our differentiated innovative product portfolio and pipeline, industry-leading technology platforms, global-standard manufacturing system, robust commercialization capabilities, increasing global presence, as well as visionary management and leadership. Our ability to stay competitive and continue our success will depend on our ability to accelerate our global expansion by addressing immense unmet medical needs worldwide; further bolster our R&D capabilities to develop more differentiated, high-quality therapeutics to the global market; further strengthen our manufacturing capabilities supported by global-standard quality system; further enhance our commercialization capabilities in China and overseas markets; and recruit and retain top-notch talent to fuel our innovation and global expansion. For details of the market landscape and our competition, see "Industry Overview—Global and China's Pharmaceutical Markets" and "Business—Competition."

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The summary financial data set forth below are derived from and should be read together with our financial statements in this document, including the related notes. Our consolidated financial information was prepared in accordance with International Financial Reporting Standards (the "IFRS" or "IFRSs").

Summary of Consolidated Statement of Profit or Loss

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

	Year Ended December 31,				Nine Months Ended September 30,			
	2022		2023		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
					(Unaudited)			
Revenue	21,275,271	100.0	22,819,785	100.0	17,013,632	100.0	20,189,304	100.0
Cost of sales	(3,486,639)	(16.4)	(3,525,248)	(15.4)	(2,657,554)	(15.6)	(2,833,183)	(14.0)
Gross profit	**17,788,632**	**83.6**	**19,294,537**	**84.6**	**14,356,078**	**84.4**	**17,356,121**	**86.0**
Other income and gains	1,371,215	6.4	1,033,784	4.5	676,755	4.0	815,624	4.0
Selling and distribution expenses	(7,347,894)	(34.5)	(7,577,176)	(33.2)	(5,408,551)	(31.8)	(6,109,288)	(30.3)
Research and development expenses	(4,886,553)	(23.0)	(4,953,887)	(21.7)	(3,725,495)	(21.9)	(4,548,870)	(22.5)
Administrative expenses	(2,498,159)	(11.7)	(2,644,551)	(11.6)	(1,857,111)	(10.9)	(2,067,631)	(10.2)
Other expenses	(389,262)	(1.8)	(406,996)	(1.8)	(177,441)	(1.0)	(301,674)	(1.5)
Finance costs	(6,491)	(0.0)	(5,905)	(0.0)	(4,743)	(0.0)	(3,314)	(0.0)
Share of losses of associates	(62,996)	(0.3)	(72,696)	(0.3)	(47,115)	(0.4)	(54,228)	(0.3)
Profit before tax	**3,968,492**	**18.7**	**4,667,110**	**20.5**	**3,812,377**	**22.4**	**5,086,740**	**25.2**
Income tax expenses	(153,351)	(0.8)	(389,289)	(1.8)	(361,347)	(2.1)	(470,410)	(2.3)
Profit for the year/period	**3,815,141**	**17.9**	**4,277,821**	**18.7**	**3,451,030**	**20.3**	**4,616,330**	**22.9**
Attributable to:								
Owners of the parent	3,906,374	18.4	4,302,436	18.9	3,473,779	20.4	4,619,576	22.9
Non-controlling interests	(91,233)	(0.5)	(24,615)	(0.2)	(22,749)	(0.1)	(3,246)	(0.0)
	3,815,141	17.9	4,277,821	18.7	3,451,030	20.3	4,616,330	22.9

Non-IFRS Measure

To supplement our consolidated financial statements that are presented in accordance with IFRSs, we also use EBITDA (non-IFRS measure) as an additional financial measure, which is not required by, or presented in accordance with, IFRSs. We define EBITDA (non-IFRS measure) as profit for the year/period adjusted by adding back (i) finance costs, (ii) depreciation and amortization, and (iii) income tax expenses. We believe that this non-IFRS measure facilitates comparisons of operating performance from period to period by eliminating potential impacts of items which our management considers non-indicative of our operating performance.

We believe that this non-IFRS measure provides useful information to [**REDACTED**] and others in understanding and evaluating our results of operations in the same manner as it helps our management. However, our presentation of EBITDA (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRSs.

The following table sets forth a reconciliation of our EBITDA (non-IFRS measure) for the years ended December 31, 2022 and 2023 and the nine months ended September 30, 2024 to profit for the year/period, which is the most comparable measure prepared in accordance with IFRSs.

	Year Ended December 31,		Nine Months Ended September 30,	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Profit for the year/period	3,815,141	4,277,821	3,451,030	4,616,330
Adjustments:				
Finance costs	6,491	5,905	4,743	3,314
Depreciation and amortization	640,511	793,937	533,254	638,159
Income tax expenses	153,351	389,289	361,347	470,410
EBITDA (non-IFRS measure)	**4,615,494**	**5,466,952**	**4,350,374**	**5,728,213**

Revenue

The following table sets forth a breakdown of our revenue by source, in absolute amounts and as a percentage of our total revenue, for the periods indicated:

	Year Ended December 31,				Nine Months Ended September 30,			
	2022		2023		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
					(Unaudited)			
Drug sales	21,213,026	99.7	22,377,188	98.1	16,854,478	99.1	18,598,750	92.1
Licensing revenue	6,442	–	268,371	1.2	95,119	0.6	1,454,746	7.2
Others	55,803	0.3	174,226	0.7	64,035	0.3	135,808	0.7
Total	**21,275,271**	**100.0**	**22,819,785**	**100.0**	**17,013,632**	**100.0**	**20,189,304**	**100.0**

The following table sets forth a breakdown of our total revenue by major therapeutic areas and other sources, in absolute amounts and as a percentage of our total revenue, for the periods indicated:

	Year Ended December 31,				Nine Months Ended September 30,			
	2022		2023		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
					(Unaudited)			
Oncology	11,313,013	53.2	12,217,364	53.5	9,207,147	54.1	10,921,647	54.1
Metabolic and cardiovascular diseases	975,316	4.6	1,081,257	4.7	730,793	4.3	1,238,890	6.1
Immunological and respiratory diseases	722,316	3.4	701,219	3.1	594,690	3.5	594,465	2.9
Neuroscience	3,888,641	18.3	4,204,922	18.4	3,177,207	18.7	2,992,146	14.8
Contrast agents	2,728,731	12.8	2,742,423	12.0	1,992,549	11.7	2,068,497	10.2
Others	1,647,254	7.7	1,872,600	8.3	1,311,246	7.7	2,373,659	11.9
Total	**21,275,271**	**100.0**	**22,819,785**	**100.0**	**17,013,632**	**100.0**	**20,189,304**	**100.0**

Gross Profit and Gross Profit Margin

The following table sets forth a breakdown of our gross profit and gross profit margin for the periods indicated:

	Year Ended December 31,				Nine Months Ended September 30,			
	2022		2023		2023		2024	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
					(Unaudited)			
Drug sales	17,753,301	83.7	18,915,472	84.5	14,210,381	84.3	15,831,252	85.1
Licensing revenue	6,442	100.0	268,371	100.0	95,119	100.0	1,454,746	100.0
Others	28,889	51.8	110,694	63.5	50,578	79.0	70,123	51.6
Total	**17,788,632**	**83.6**	**19,294,537**	**84.6**	**14,356,078**	**84.4**	**17,356,121**	**86.0**

Summary of Consolidated Statements of Financial Position

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

	As of December 31,		As of September 30,
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*
Total current assets	30,934,054	31,287,472	34,456,967
Total non-current assets	11,436,821	12,497,035	13,881,131
Total assets	**42,370,875**	**43,784,507**	**48,338,098**
Total current liabilities	3,639,219	2,553,660	3,829,566
Total non-current liabilities	318,748	197,761	177,014
Total liabilities	3,957,967	2,751,421	4,006,580
Net assets	**38,412,908**	**41,033,086**	**44,331,518**
Share capital	6,379,002	6,379,002	6,379,002
Treasury shares	(398,028)	(1,091,851)	(1,288,759)
Reserves	31,842,586	35,178,644	38,677,665
Equity attributable to owners of the parent	**37,823,560**	**40,465,795**	**43,767,908**
Non-controlling interests	589,348	567,291	563,610
Total equity	**38,412,908**	**41,033,086**	**44,331,518**

Summary of Consolidated Statements of Cash Flows

The following table sets forth a summary of our cash flows information for the periods indicated:

	Year Ended December 31,		Nine Months Ended September 30,	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Net cash flows from operating activities	1,265,265	7,643,665	4,308,871	4,585,446
Net cash flows from/(used in) investing activities	390,291	1,222,314	1,237,586	(1,873,446)
Net cash flows used in financing activities	(318,771)	(3,144,428)	(3,089,943)	(1,506,524)

	Year Ended December 31,		Nine Months Ended September 30,	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Net increase in cash and cash equivalents	1,336,785	5,721,551	2,456,514	1,205,476
Cash and cash equivalents at beginning of year/period	13,120,156	14,537,437	14,537,437	20,271,524
Effect of foreign exchange rate changes, net	80,496	12,536	19,697	(21,220)
Cash and cash equivalents at end of year/period	14,537,437	20,271,524	17,013,648	21,455,780

KEY FINANCIAL RATIOS

The tables below set forth our key financial ratios as of the dates/for the periods indicated:

	As of December 31,		As of September 30,
	2022	2023	2024
			(Unaudited)
Current ratio	8.5	12.3	9.0
Quick ratio	7.8	11.3	8.3

	Year Ended December 31,		Nine Months Ended September 30,	
	2022	2023	2023	2024
			(Unaudited)	
Gross profit margin	83.6%	84.6%	84.4%	86.0%
Net profit margin	17.9%	18.7%	20.3%	22.9%
Return on equity	10.3%	10.8%	N/A	14.7%
Return on assets	9.3%	9.9%	N/A	13.6%

SUMMARY OF MATERIAL RISK FACTORS

There are certain risks involved in our business and industry and the [**REDACTED**], many of which are beyond our control. The details are set out in the section headed "Risk Factors." You should read that section in its entirety carefully before you decide to [**REDACTED**] in our H Shares. Some of the major risks we face include:

- The development process of new pharmaceutical products, in particular innovative drugs, is typically lengthy and costly and the outcome is uncertain. If the development and commercialization processes of new pharmaceutical products are unsuccessful or prolonged, our profitability and business prospects could be adversely affected.

- Decreases in our products' sales volume and price levels and changes in the cost structures may adversely affect our revenue and profitability.

- If our products fail to be timely included in, or are removed or excluded from, national, provincial or other government-sponsored medical insurance programs, our revenue and profitability could be adversely affected.

- If we are unable to succeed in a competitive centralized tender process to supply our products to public hospitals and other relevant medical institutions, we may lose market share and our revenue and profitability could be adversely affected.

- Certain of our products are subject to pricing regulation or other policies that are intended to reduce healthcare costs.

- We are exposed to specific risks of conducting our business and operations in international markets.

- All material aspects of our operations are heavily regulated, and any failure to comply with these regulations could have a material adverse effect on our business.

- If we or our business partners fail to obtain, maintain or renew necessary licenses and permits for the development, production, promotion, and sale of our products, our ability to conduct our business could be materially impaired and our revenue and profitability could be adversely affected.

- The regulatory approval process of the NMPA and other comparable regulatory authorities for our product candidates is lengthy and the result is unpredictable. Any failure to timely obtain these regulatory approvals could adversely affect our business prospects and profitability.

- Failure to achieve or maintain market acceptance for our products could have an adverse impact on our profitability and business prospects.

- We operate in a highly competitive environment, and we may not be able to compete effectively against current and future competitors, which could adversely affect our revenue and profitability.

RECENT DEVELOPMENTS

In December 2024, we out-licensed to IDEAYA Biosciences the exclusive rights to develop, manufacture, and commercialize SHR-4849 worldwide (excluding the Greater China region). Under this agreement, IDEAYA Biosciences agreed to provide us with an upfront payment of US$75 million and milestone payments of up to US$970 million, in addition to sales royalties. For details, see "Business—Collaboration and Licensing Arrangements—Major Out-Licensing Arrangements—Collaboration and License Agreement with IDEAYA Biosciences."

We have also obtained additional regulatory approvals for our products after the Track Record Period. For example, in October 2024, the U.S. FDA approved our paclitaxel for injection (albumin bound) as chemotherapy, which was a first-to-market generic product approved by the U.S. FDA. This reaffirms the global recognition of our quality management system. In addition, in December 2024, we obtained the NMPA's approval for our fuzuloparib (a PARP1/2 inhibitor), with or without apatinib, in adult patients of HER2-negative metastatic breast cancer with germline BRCA1/2 mutations (gBRCA1/2m), who have previously been treated with chemotherapy in the neoadjuvant, adjuvant or metastatic stages.

No Material Adverse Change

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, the Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since September 30, 2024, being the latest date of our consolidated financial statements as set out in Appendix I to this document, and there is no event since September 30, 2024 that would materially affect the information as set out in the Accountants' Report included in Appendix I to this document.

OUR LISTING ON THE SHANGHAI STOCK EXCHANGE

Since 2000, our Company has been listed on the Shanghai Stock Exchange. As of the Latest Practicable Date, our Directors confirmed that we had no instances of material non-compliance with the rules of the Shanghai Stock Exchange and other applicable securities laws and regulations of the PRC in any material respect and, to the best knowledge of our Directors having made all reasonable enquiries, there was no material matter that should be brought to the [**REDACTED**] attention in relation to our compliance record on the Shanghai Stock Exchange, and nothing has come to the Joint Sponsors' attention that would cause them to disagree with our Directors' confirmation.

[**REDACTED**]

All statistics in the following table are based on the assumptions that (i) the [**REDACTED**] has been completed and [**REDACTED**] H Shares are [**REDACTED**] pursuant to the [**REDACTED**], (ii) the [**REDACTED**] is not exercised, and (iii) [**REDACTED**] Shares are issued and outstanding following the completion of the [**REDACTED**]:

	Based on an [REDACTED] of [REDACTED] per H Share	Based on an [REDACTED] of [REDACTED] per H Share
[**REDACTED**] of our H Shares	[**REDACTED**]	[**REDACTED**]
[**REDACTED**] attributable to owners of the parent per Share[(1)]	[**REDACTED**]	[**REDACTED**]

Notes:

(1) The [**REDACTED**] attributable to owners of the parent per Share is arrived at after the adjustments referred to in the section headed "[**REDACTED**]" in Appendix II to this document and on the basis of [**REDACTED**] Shares in issue, assuming that the [**REDACTED**] had been completed on September 30, 2024, but does not take into account any Shares which may be issued pursuant to the exercise of the [**REDACTED**].

(2) No adjustment has been made to the [**REDACTED**] attributable to owners of the parent to reflect any trading results or other transactions of our Group entered into subsequent to September 30, 2024.

[**REDACTED**]

FUTURE PLANS AND [REDACTED]

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

- Approximately [**REDACTED**], or [**REDACTED**], will be allocated to our R&D initiatives.

- Approximately [**REDACTED**], or [**REDACTED**] million, will be allocated to fund the construction of new production and R&D facilities in China and overseas markets, as well as the expansion or upgrade of our existing production facilities in China.

- The remaining amount of approximately [**REDACTED**], or [**REDACTED**] million, will be used to provide funding for our working capital and other general corporate purposes.

The above allocation of 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 estimated [**REDACTED**]. Please refer to the section headed "Future Plans and [**REDACTED**]" for further details.

DIVIDEND POLICY

Any distributable profits that are not distributed in any given year will be retained and become available for distribution in subsequent years. Pursuant to our Articles of Association, the amount of the dividends distributed in every three years should be at least 30% of our profits for these three years that are available for distribution, subject to certain specified conditions. In 2022 and 2023 and the nine months ended September 30, 2024, we declared dividends of RMB1,020.5 million, RMB1,019.9 million and RMB1,273.8 million in respect of the years ended December 31, 2021, 2022 and 2023, respectively. As of the Latest Practicable Date, we had paid these dividends in full. We have not declared any dividends in respect of the year ended December 31, 2024. See "Financial Information—Dividend Policy" for more information on factors affecting our dividend distribution.

[**REDACTED**]

Our [**REDACTED**] mainly include [**REDACTED**], professional fees paid to legal advisors, the Reporting Accountants and other professional advisors for their services rendered in relation to the [**REDACTED**] and the [**REDACTED**]. Assuming full payment of the [**REDACTED**], the estimated total [**REDACTED**] (based on the mid-point of the [**REDACTED**] stated in this document and assuming that the [**REDACTED**] is not exercised) for the [**REDACTED**] are approximately [**REDACTED**] million, representing [**REDACTED**] of the gross [**REDACTED**] of the [**REDACTED**]. The estimated total [**REDACTED**] consist of: (i) [**REDACTED**] expenses of [**REDACTED**], and (ii) [**REDACTED**] related expenses of [**REDACTED**] million, comprising (a) fees and expenses of legal advisors and Reporting Accountants of [**REDACTED**] million and (b) other fees and expenses of [**REDACTED**] million. We do not believe that any of these fees or expenses are material to our Group, taken as a whole, or are unusually high. We did not incur any [**REDACTED**] during the Track Record Period. We expect to incur [**REDACTED**] of approximately [**REDACTED**] million after the Track Record Period, of which approximately [**REDACTED**] million will be recognized as expenses and approximately [**REDACTED**] million will be deducted from equity upon the [**REDACTED**].

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

"A Share(s)"	ordinary shares issued by our Company, with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange and traded in Renminbi
"A Share Employee Stock Ownership Scheme(s)"	the 2022 Employee Stock Ownership Scheme, the 2023 Employee Stock Ownership Scheme and/or the 2024 Employee Stock Ownership Scheme, the principal terms of which are set out in "Statutory and General Information—D. A Share Employee Stock Ownership Schemes" in Appendix VI to this document
"Accountants' Report"	the report of our Company's reporting accountant, Ernst & Young, the text of which is set out in Appendix I of 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"	the Accounting and Financial Reporting Council of Hong Kong
"Articles" or "Articles of Association"	the articles of association of our Company conditionally adopted on December 26, 2024 with effect from the [**REDACTED**], a summary of which is set out in Appendix V to this document
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of Directors of our Company
"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
"CAGR"	compound annual growth rate

[**REDACTED**]

"China" or "the PRC"	the People's Republic of China, excluding, for the purpose of this document only, except where the context requires otherwise, Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"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"	Jiangsu Hengrui Pharmaceuticals Co., Ltd. (江蘇恒瑞醫藥股份有限公司), a joint stock company with limited liability established in the PRC on April 28, 1997, the A Shares of which have been listed on the Shanghai Stock Exchange (stock code: 600276)
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s)"	the director(s) of our Company
"EIT Law"	Enterprise Income Tax Law of the People's Republic of China (中華人民共和國企業所得税法), as amended, supplemented or otherwise modified from time to time
"EMA"	European Medicines Agency, a decentralised agency of the European Union responsible for the evaluation, supervision and safety monitoring of medicines
"ESG"	environmental, social and governance
"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the government of Hong Kong

[**REDACTED**]

"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., our industry consultant
"Frost & Sullivan Report"	the report prepared by Frost & Sullivan

[**REDACTED**]

"Group", "our Group", "the Group", "we", "our" or "us"	our Company and its subsidiaries from time to time or, where the context so requires in respect of the period before our Company became the holding company of our present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
"Guide for New Listing Applicants"	the Guide for New Listing Applicants issued by the Stock Exchange in December 2023, and as amended, supplemented or otherwise modified from time to time

[**REDACTED**]

"H Share(s)"	overseas [**REDACTED**] foreign shares in the share capital of our Company with a nominal value of RMB1.00 each, which are to be subscribed for and traded in Hong Kong dollars and are to be [**REDACTED**] on the [**REDACTED**]
"Hengrui Group" or "Single Largest Shareholder"	Jiangsu Hengrui Pharmaceutical Group Co., Ltd. (江蘇恒瑞醫藥集團有限公司), a limited liability company established in the PRC on December 6, 1996 controlled by our chairman of the Board and executive Director, Mr. Sun Piaoyang. Hengrui Group is a substantial shareholder, and the single largest shareholder, of our Company

"HK" or "Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HK$" or "Hong Kong dollar(s)"	Hong Kong dollars, the lawful currency of Hong Kong

[**REDACTED**]

[**REDACTED**]

"Hong Kong Takeovers Code" or "Takeover Codes"	the Code on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time

[**REDACTED**]

"ICH"	The International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use
"IFRS(s)"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
"Independent Third Party(ies)"	any entity or person who is not a connected person of our Company or an associate of such person within the meaning ascribed to it under the Listing Rules

[**REDACTED**]

[**REDACTED**]

"Joint Sponsors"	the joint sponsors as named in the "Directors, Supervisors and Parties Involved in the [**REDACTED**]" section of this document
"Latest Practicable Date"	December 29, 2024, being the latest practicable date for ascertaining certain information contained in this document before its publication

[**REDACTED**]

"Listing Committee"	the listing committee of the Stock Exchange
"[**REDACTED**]"	the date, expected to be on or about [**REDACTED**], on which the H Shares are [**REDACTED**] on the Stock Exchange and from which [**REDACTED**] in the H Shares are permitted to commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock market (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the GEM of the Hong Kong Stock Exchange
"Ministry of Finance" or "MOF"	Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)
"NDRC"	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)
"NHC"	National Health Commission of the PRC (中華人民共和國國家衛生健康委員會)
"NHSA"	National Healthcare Security Administration of the PRC (中華人民共和國國家醫療保障局)
"NMPA"	National Medical Products Administration (國家藥品監督管理局) of the PRC, formerly known as China Food and Drug Administration ("CFDA") (國家食品藥品監督管理局) or China Drug Administration ("CDA") (國家藥品監督管理局); references to NMPA include CFDA and CDA
"Nomination Committee"	the nomination committee of the Board
"NPC"	National People's Congress of the PRC (中華人民共和國全國人民代表大會)
"NRDL"	National Reimbursement Drug List

[**REDACTED**]

"Overseas Listing Trial Measures"	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 CSRC on February 17, 2023, as amended, supplemented or otherwise modified from time to time
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"PRC Company Law"	the Company Law of the PRC (中華人民共和國公司法), as amended, modified and/or otherwise supplemented from time to time
"PRC GAAP"	generally accepted accounting principles in mainland China

"PRC Government" or "State"	the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the context requires, any of them
"PRC Legal Advisor"	Commerce & Finance Law Offices, our legal advisor as to PRC laws
"PRC Securities Law"	the Securities Law of the PRC (《中華人民共和國證券法》), as amended, supplemented or otherwise modified from time to time

[**REDACTED**]

"province"	a province or, where the context requires, a provincial level autonomous region or municipality, under the direct supervision of the central government of the PRC
"QIB"	a qualified institutional buyer within the meaning of Rule 144A
"Regulation S"	Regulation S under the U.S. Securities Act
"Remuneration and Evaluation Committee"	the remuneration and evaluation committee of the Board
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Rule 144A"	Rule 144A under the U.S. Securities Act
"R&D"	research and development
"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAIC"	State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局), which has now been merged into the SAMR

"SAMR"	State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
"SAT" or "State Administration of Taxation"	State Administration of Taxation of the PRC (中華人民共和國國家税務總局)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Shanghai-Hong Kong Stock Connect"	a securities trading and clearing links program developed by the Stock Exchange, Shanghai Stock Exchange, HKSCC and China Securities Depository and Clearing Corporation Limited for mutual market access between Hong Kong and Shanghai
"Shanghai Stock Exchange"	the Shanghai Stock Exchange (上海證券交易所)
"Shenzhen-Hong Kong Stock Connect"	a securities trading and clearing links program developed by the Hong Kong Stock Exchange, Shenzhen Stock Exchange, HKSCC and China Securities Depository and Clearing Corporation Limited for mutual market access between Hong Kong and Shenzhen
"Share(s)"	ordinary share(s) in the share capital of our Company, with a nominal value of RMB1.00 each, comprising our A Shares and upon [**REDACTED**], our H Shares
"Shareholder(s)"	holder(s) of the Shares
	[**REDACTED**]
"State Council"	State Council of the People's Republic of China (中華人民共和國國務院)
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisor(s)"	member(s) of the Supervisory Committee
"Supervisory Committee"	the supervisory committee of our Company

"Track Record Period"	the financial years ended December 31, 2022, 2023 and the nine months ended September 30, 2024

[**REDACTED**]

"US$", "USD" or "U.S. dollars"	United States dollars, the lawful currency of the United States
"U.S." or "United States"	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia
"U.S. FDA"	the Food and Drug Administration of the United States
"U.S. Securities Act"	the United States Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder
"VAT"	value-added tax
"2022 Employee Stock Ownership Scheme"	the 2022 employee stock ownership scheme of our Company, as approved by our Board and Shareholders on August 19, 2022 and September 8, 2022, respectively, and as subsequently amended on November 3, 2023
"2023 Employee Stock Ownership Scheme"	the 2023 employee stock ownership scheme of our Company, as approved by our Board and Shareholders on November 3, 2023 and November 23, 2023, respectively
"2024 Employee Stock Ownership Scheme"	the 2024 employee stock ownership scheme of our Company, as approved by our Board and Shareholders on August 20, 2024 and September 6, 2024, respectively
"%"	per cent

In this document, the terms "associate", "close associate", "connected person", "core connected person", "connected transaction", "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains terms used in this document as they relate to our business. As such, these terms and their meanings may not always correspond to standard industry meaning or usage of these terms.

"5-HT3"	a ligand-gated ion channel activated by the neurotransmitter serotonin
"active pharmaceutical ingredient" or "API"	the main ingredient in a medicine that causes the desired effect of the medicine
"ANDA" or "Abbreviated New Drug Application"	application for a U.S. generic drug approval for an existing licensed medication or approved drug
"ANGPTL3"	angiopoietin-like 3, an inhibitor of lipoprotein lipase and endothelial lipase
"antibody-drug conjugate" or "ADC"	a class of biopharmaceutical drugs that comprise an antibody conjugated to a payload molecule, typically a cytotoxic agent, via a chemical linker
"AOC"	antibody-oligonucleotide conjugate
"androgen receptor"	also known as NR3C4 (nuclear receptor subfamily 3, group C, member 4), a type of nuclear receptor that is activated by binding any of the androgenic hormones. Androgen receptors are widely expressed in many cells and tissues
"aromatase"	an enzyme that plays a crucial role in the production of estrogen from androgen precursors in various tissues of the body
"Aβ"	amyloid beta, a self-aggregating peptide that is the main component of extracellular plaques in Alzheimer's Disease
"BID"	bis in die, which means twice a day
"BLA"	Biologics License Application
"BsAb" or "bispecific antibody"	antibody that combines two antigen-recognizing elements into a single construct, able to bind to two different antigens at the same time

GLOSSARY OF TECHNICAL TERMS

"BTK"	Bruton's Tyrosine Kinase, a non-receptor tyrosine kinase that plays a crucial role in the signal transduction of the B-cell antigen receptor and other cell surface receptors
"c-Met"	mesenchymal epithelial transition factor, a receptor tyrosine kinase
"carcinoma"	cancer that forms in epithelial tissue of organs
"CD3"	Cluster of Differentiation 3, a protein complex and T cell co-receptor that is involved in activating both the cytotoxic T cell and T helper cells
"CD40"	Cluster of Differentiation 40, a costimulatory protein found on antigen-presenting cells, essential in mediating immune and inflammatory responses
"CD79b"	Cluster of Differentiation 79B, a protein expressed specifically in the majority of B-cells that are impacted in some types of non-Hodgkin lymphoma, making it a promising target for the development of new therapies
"CDK"	Cyclin-Dependent Kinase, a protein kinase involved in critical cellular processes, such as cell cycle or transcription
"cGMP"	Current Good Manufacturing Practice regulations enforced by the U.S. FDA, which provide for systems that assure proper design, monitoring, and control of manufacturing processes and facilities
"chemo" or "chemotherapy"	a category of cancer treatment that uses one or more anti-cancer small molecule chemical agents as part of its standardized regimen
"cHL"	classic Hodgkin Lymphoma, the most common type of Hodgkin lymphoma (a cancer of the immune system). Classic Hodgkin lymphoma contains abnormal cells called Reed–Sternberg cells
"CLDN18.2" or "Claudin 18.2"	a tight junction protein and isoform of Claudin 18 that is expressed on a variety of tumor cells
"CMC"	chemistry, manufacturing and controls

GLOSSARY OF TECHNICAL TERMS

"CRO"	contract research organization
"CTLA-4"	cytotoxic T-lymphocyte associated protein 4, a protein expressed on all T cells and functions as an immune checkpoint that downregulates immune responses
"DAC"	degrader-antibody conjugates
"DCR"	disease control rate
"DMPK"	drug metabolism and pharmacokinetics
"DLL3"	delta-like ligand 3, an inhibitory Notch ligand that is highly expressed in SCLC and other neuroendocrine tumors but minimally expressed in normal tissues
"DPP-4" or "DPP-IV"	dipeptidyl peptidase-4, a type II transmembrane glycoprotein that is widely expressed in various organs and cells
"EGPA"	eosinophilic granulomatosis with polyangiitis
"ER"	estrogen receptor, a nuclear receptor that mediates estrogen signaling and regulates transcription driving growth, proliferation, and differentiation, among many cellular processes
"ES-SCLC"	extensive-stage small cell lung cancer
"ET"	endocrine therapy
"EZH2"	enhancer of zeste homolog 2
"FcRn"	neonatal fragment crystallizable receptor (also known as the Brambell receptor), a specialized receptor that binds serum IgG, protects IgG and albumin from catabolism and mediates transport of IgG across epithelial cells
"GCP"	Good Clinical Practices
"GCG"	glucagon, a hormone produced by the pancreas that increases the level of glucose in the blood
"G-CSF"	granulocyte colony-stimulating factor

GLOSSARY OF TECHNICAL TERMS

"GIP"	glucose-dependent insulinotropic polypeptide
"GLP-1"	glucagon-like peptide 1, a gastrointestinal peptide that is released in response to food intake. It plays an important role in glucose homeostasis and augments glucose-induced insulin secretion and inhibits glucagon secretion
"GMP"	Good Manufacturing Practices
"GnRH"	gonadotropin-releasing hormone
"HbA1c"	hemoglobin A1C, one of the indicators in the monitoring and management of diabetes
"HCC"	hepatocellular carcinoma
"HER2"	human epidermal growth factor receptor 2, also known as receptor tyrosine-protein kinase erbB-2. HER2 is a member of the human epidermal growth factor receptor family
"HR"	hormone receptor
"IgG1"	immunoglobulin G1, a subclass of the antibody isotype IgG that is found in the serum
"IL"	interleukin, a type of cytokine secreted by lymphocytes that promote the development and maturation of T cell and B cell populations
"ILD"	interstitial lung diseases
"IND"	Investigational New Drug
"innovative drug"	innovative or modified new pharmaceutical that has never been marketed worldwide
"ITP"	immune thrombocytopenia, an illness that leads to bruising and bleeding
"JAK1"	Janus Kinase 1
"KAT6"	lysine acetyltransferase 6

"KRAS"	Kirsten rat sarcoma viral oncogene homolog
"KRAS G12C," "KRAS G12D" and "KRAS G12V"	mutations of the KRAS protein
"LDL"	low-density lipoprotein, one of the five major groups of lipoprotein that transport all fat molecules around the body in extracellular water
"LDL-C"	low-density lipoprotein cholesterol
"liposome"	a spherical vesicle composed of phospholipids and compatible with a lipid bilayer structure
"Lp(a)"	Lipoprotein(a), a particle that carries cholesterol in the blood. High levels of Lp(a) have been shown to be a significant risk factor for atherosclerotic cardiovascular disease
"mAb"	monoclonal antibody, antibodies capable of binding to specific antigens and inducing immunological responses against the target antigens
"metastatic cancer"	cancer that has spread from where it started to another part of the body
"MOA"	mechanism of action, the specific biochemical interaction through which a drug substance produces its pharmacological effect
"MOR"	a μ-opioid receptor, a dominant receptor involved in controlling pain transmission, particularly effective against morphine-resistant interactive pain
"$Na_V1.8$"	voltage-gated sodium ion channel subunit 1.8, a genetically validated target for pain and mostly expressed in the peripheral nervous system
"NDA"	New Drug Application
"Nectin-4"	Nectin cell adhesion molecule 4, a type I transmembrane polypeptide that is overexpressed in urothelial carcinoma and several other malignancies

GLOSSARY OF TECHNICAL TERMS

"NGS"	a technology for determining the sequence of DNA or RNA to study genetic variation associated with diseases or other biological phenomena
"NK cell"	natural killer cell, a type of white blood cell
"NK-1R" or "NK1R"	Neurokinin-1 receptor
"NME"	new molecular entity
"non-small cell lung cancer" or "NSCLC"	any carcinoma (as an adenocarcinoma or squamous cell carcinoma) of the lungs that is not a small-cell lung cancer
"ORR"	objective response rate
"OS"	overall survival
"PARP"	poly (ADP-ribose) polymerase, a family of proteins involved in numerous cellular processes, mostly involving DNA replication and transcriptional regulation, which plays an essential role in cell survival in response to DNA damage
"PCSK9"	proprotein convertase subtilisin/kexin type 9, an enzyme that plays a critical role in regulating cholesterol levels in the blood
"PD-L1"	programmed death-ligand 1, a protein on the surface of a normal cell or a cancer cell that can attach to PD-1 on the surface of the T cell that causes the T cell to turn off its ability to kill the cancer cell
"peptide"	a molecule that contains two or more amino acids
"PFS"	progression-free survival
"Phase I clinical study"	a study that tests the safety of a new drug candidate
"Phase II clinical study"	a study that tests the new drug candidate on a larger group of patients, to gather information about whether and how well it works

"Phase III clinical study"	a study for a new drug candidate that has already passed Phases I and II, which tests the new drug candidate in larger groups of patients, and compares the new drug candidate against an existing treatment or a placebo to see if it works better in practice and if it has important side effects
"PI3K"	phosphatidylinositide-3 kinase, a lipid kinase that, through a series of intermediate processes, controls the activation of several important signaling proteins including the serine/threonine kinase AKT signaling pathway
"pivotal clinical study"	a clinical study designed to provide definitive evidence of a drug's efficacy and safety, often serving as the basis for regulatory approval
"placebo"	a substance or treatment that is designed to have no therapeutic value
"potential first-in-class"	for a certain indication with no product of the same category approved by regulatory authority, a product candidate that has the most advanced clinical development with the earliest first posted date of the most advanced clinical stage, the earliest date of NDA acceptance by regulatory authority, or the earliest study result disclosure
"potential best-in-class"	a product candidate that has publicly available sources (such as papers, oral presentations during conferences, and study protocols) showing efficacy, safety, dosage interval, or route of administration better than representative products and product candidates of the same category, with the potential to be the standard of care, a blockbuster drug, or an innovative product under clinical development that has revealed study results. The study design of this product candidate has to be comparable with registrational studies of representative products and product candidates in terms of, among others, indication, patient inclusion and exclusion criteria, and primary clinical study endpoints
"PD-1"	programmed cell death protein 1, an immune checkpoint receptor expressed on T cells, B cells and macrophages

"PROTACs" or "proteolysis-targeting chimeras"	a bifunctional molecule that combines an active site selective for binding to the target of interest and a ligand of E3 ubiquitin ligase to drive selective proteasome mediated degradation
"PSMA"	prostate specific membrane antigen
"PTCL"	peripheral T-cell lymphoma
"QD"	quaque die, which means once a day
"r/r"	relapsed and refractory
"RAS"	rat sarcoma, a family of proteins that are critical regulators of cellular signaling pathways; it primarily includes HRAS, KRAS, and NRAS
"Rb"	retinoblastoma protein
"RDCs"	radionuclide drug conjugates
"RLTs"	radioligand therapies
"RNA"	ribonucleic acid, a nucleic acid present in all living cells that has structural similarities to DNA
"SAA"	severe aplastic anemia
"SCLC"	small cell lung cancer
"SERD"	selective ER degrader
"SGLT-2"	Sodium-glucose Cotransporter-2
"siRNA"	small interfering RNA, sometimes known as short double-stranded RNAs
"SMO"	site management organization
"sNSCLC"	squamous non-small cell lung cancer
"SPID"	sum of pain intensity differences
"T2D"	type 2 diabetes

"TAA"	tumor (or target)-associated-antigen
"TCR"	T cell receptor
"TGF-β"	transforming growth factor beta
"TKI"	tyrosine kinase inhibitor
"TOP1i"	topoisomerase I inhibitor, a new class of anti-cancer agents with a mechanism of action aimed at interrupting DNA replication in cancer cells, the result of which is cell death
"Trop2" or "Trop-2"	trophoblast cell-surface antigen-2
"TSLP"	thymic stromal lymphopoietin, a cytokine that plays a key role across the spectrum of asthma inflammation
"uHCC"	unresectable HCC
"VBP"	volume-based procurement
"VEGFR"	vascular endothelial growth factor receptor
"VVC"	vulvovaginal candidiasis, a fungal infection of the lower female reproductive tract
"γδ T cells"	gamma delta (γδ) T cells, T cells that have a γδ T cell receptor (TCR) on their surface

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 or 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", "potential", "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 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 business prospects;
- our business strategies and plans to achieve these strategies, including our global expansion plans;
- our ability to maintain relationships with, and the actions and developments affecting, our major customers and suppliers;
- future developments, trends and conditions in the industry and markets in which we operate;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment and future developments, trends and conditions in the industries and markets in which we operate;
- the ability of third parties to perform in accordance with contractual terms and specifications;
- our ability to retain senior management and key personnel, and recruit qualified staff;
- the actions of and developments affecting our competitors; and
- all other risks and uncertainties described in the section headed "Risk Factors".

FORWARD-LOOKING STATEMENTS

Since actual results or outcomes could differ materially from those expressed in any forward-looking statements, we strongly caution [**REDACTED**] 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 or statements 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 contained in this document are expressly qualified by reference to the cautionary statements set out in this section.

You should carefully consider all of the information in this document and, in particular, the risks and uncertainties described below, before making an [**REDACTED**] *in our H Shares. We are affected materially by requirements and restrictions that arise under laws, regulations, judicial interpretations and government policies in nearly all aspects of our businesses in the jurisdictions where we operate.*

The risks described below are not the only risks that may affect us or our [**REDACTED**]. *Additional risks and uncertainties of which we are not aware or that we currently believe are immaterial may also adversely affect our business, results of operations, financial condition and growth prospects. If any of the possible events described below occurs, our business, results of operations, financial condition and growth prospects could be materially and adversely affected. The* [**REDACTED**] *of our H Shares could decline owing to any of these risks, and you may lose all or part of your* [**REDACTED**].

RISKS RELATED TO OUR BUSINESS AND INDUSTRY

The development process of new pharmaceutical products, in particular innovative drugs, is typically lengthy and costly and the outcome is uncertain. If the development and commercialization processes of new pharmaceutical products are unsuccessful or prolonged, our profitability and business prospects could be adversely affected.

Our long-term competitiveness depends on our ability to enhance our existing products and develop and commercialize new pharmaceutical products that address significant unmet medical needs. To this end, we have invested significant resources in advancing our technology platforms and building a strong pipeline of product candidates. The development process of innovative drugs, our key growth driver, is particularly time-consuming and costly. There can be no assurance that our R&D activities will deliver the expected results.

There is an inherent risk of failure for each of our product candidates. We cannot predict when or if any of our product candidates will prove effective and safe for humans or will receive regulatory approval. Before obtaining the required regulatory approval, our product candidates must pass preclinical studies and extensive clinical trials to demonstrate their safety and efficacy in humans. In particular, clinical trials are expensive, difficult to design and implement, and can take many years to complete, and their outcomes are inherently uncertain. While we aim to develop product candidates that are novel, highly differentiated, or even potentially first-in-class or best-in-class globally, we cannot guarantee that we are able to achieve this goal. Failure can occur at any time during the clinical development process, including after significant resources have been invested. The outcomes of preclinical studies and early-stage clinical trials may not be predictive of the success in later phases, and interim results of a clinical trial do not necessarily predict final results. Moreover, preclinical and clinical data are often susceptible to varying interpretations and analyses, and even product candidates that perform satisfactorily in clinical trials may still fail to obtain regulatory approval.

Specifically, a product candidate that appears promising in the early phases of development may fail to reach the market for a number of reasons. For example:

- we may fail to conduct a companion diagnostic test to identify patients who are likely to benefit from our product candidates;
- regulators, institutional review boards ("IRBs"), or ethics committees may not authorize us or our investigators to commence 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;
- we may elect to, or regulators, IRBs or ethics committees may require that we or our investigators, suspend or terminate clinical research for various reasons, including non-compliance with regulatory requirements, undesirable side effects, or a finding that participants are being exposed to unacceptable health risks;
- third-party contractors, if any, used in our clinical trials may fail to comply with regulatory requirements or meet their contractual obligations in a timely manner, or at all, or may deviate from the clinical trial protocol or drop out of the clinical trial, which may require that we add new clinical trial sites or investigators;
- the costs of clinical trials for our product candidates may be greater than we anticipate, or changes in the applicable regulatory framework may make our R&D process more time-consuming and costly;
- the supply or quality of our product candidates or other materials necessary to conduct clinical trials may be insufficient or inadequate;
- our product candidates may fail to demonstrate satisfactory efficacy or safety profiles, particularly in comparison with competing products;
- clinical trials may produce negative or inconclusive results, and we may decide, or regulators may require us, to conduct additional clinical trials or abandon certain product development programs; and
- we may fail to obtain, or experience delays in obtaining, approvals for intended indications from relevant regulatory bodies, such as the NMPA and other comparable regulatory authorities, or approved indications for our product candidates may be more limited than anticipated.

Decisions about research studies made early in the development process of a product candidate can affect the marketing strategy once such candidate receives regulatory approval. We cannot guarantee that a proper balance of research study efficiency and quality will be achieved for each product candidate, nor can we ensure that decisions in this area would not adversely affect our results of operations.

Furthermore, even if we successfully develop and market new products or make enhancements to our existing products, they may be quickly rendered obsolete by changing clinical preferences, evolving industry standards, or innovation from our competitors. Our innovations may not be accepted quickly by the market because of existing clinical practices, lack of awareness among the medical practitioners, or uncertainty over third-party reimbursement. We cannot be certain whether or when any of our products under development will be launched, whether we will be able to develop, license, or otherwise acquire products, or whether any products will be commercially successful. Failure to develop and launch successful new products or new indications for existing products may cause our products or product candidates to become obsolete and adversely affect our profitability and business prospects.

Decreases in our products' sales volume and price levels and changes in the cost structures may adversely affect our revenue and profitability.

Our revenue and profitability depend largely on our products' commercial success, and we may be particularly susceptible to factors adversely affecting the sales volume, price levels or profitability of these products. Factors that could adversely affect their sales volumes, pricing levels and cost structures include: exclusion from, delayed inclusion in, or reduced coverage under, government-sponsored medical insurance programs; the impact of government pricing regulations; failure to win the bids in centralized tender processes necessary for sales to public hospitals and other relevant medical institutions; the availability of substitute products and the perceived advantages of competing products; interruptions in the supply of raw materials; increases in the cost of raw materials; issues with product quality or side effects or any negative publicity on our products; intellectual property infringements; adverse changes in sales network; our failure to respond to changes in needs and preferences of healthcare practitioners and patients; and unfavorable policy, regulatory or enforcement changes. Many of these factors are outside of our control, and decreases in sales volume, pricing levels and profit margins of our drugs may cause our revenue and profitability to decline.

If our products fail to be timely included in, or are removed or excluded from, national, provincial or other government-sponsored medical insurance programs, our revenue and profitability could be adversely affected.

Insurance coverage is a critical factor in a patient's ability to afford treatments. If a pharmaceutical product is covered by medical insurance, whether provided by the government or a commercial insurer, patients may receive reimbursement for all or a portion of the cost. For instance, in the PRC, government-sponsored medical insurance programs reimburse patients for pharmaceutical products listed in the NRDL or relevant provincial medical

insurance catalogs, or included in provincial insurance schemes regarding special medications for major diseases treatment. Consequently, the inclusion or exclusion of a pharmaceutical product in or from such programs, or any limitation on their coverage could significantly affect patient demand for our pharmaceutical products. Any delay in inclusion of our products in the NRDL or other government-sponsored medical insurance programs may adversely affect their market adoption and sales growth.

The decision to include pharmaceutical products in insurance coverage depends on various factors, including efficacy, safety and price, which may be outside of our control. Moreover, government authorities may, from time to time, review and adjust the scope of reimbursement for products that are listed in any medical insurance catalog. For example, in the PRC, 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. If our products are not timely included in relevant government-sponsored medical insurance programs, or if they are removed from these programs, or if the scope of reimbursement is reduced, demand for our products may decrease, which could adversely affect our revenue and profitability.

If we are unable to succeed in a competitive centralized tender process to supply our products to public hospitals and other relevant medical institutions, we may lose market share and our revenue and profitability could be adversely affected.

Most pharmaceutical products that are sold to public hospitals and other relevant medical institutions in China must go through a competitive centralized tender process. This government-led mechanism regulates the purchasing of pharmaceuticals by public hospitals and other relevant medical institutions and aims to make the price of drugs more affordable. In this process, we submit bids in a centralized tender process to supply our products to these institutions at specified prices. Our bids are evaluated mainly based on several criteria, including prices relative to substitute products, clinical effectiveness, and the quality of our products and services. If we succeed in a centralized tender process, the relevant products will be sold to the public hospitals and other relevant medical institutions at the bid prices, which is also the primary determinant of the prices at which we sell our products to our distributors. The centralized tender process can create pricing pressure among substitute products or products that are perceived to be substitute products.

Our sales volume and profitability depend on our ability to successfully differentiate our products and price our bids in a manner that enables us to succeed in centralized tender processes at profitable levels. We cannot assure that we will always succeed in a competitive centralized tender process. If we are unable to do so, we will lose the revenue associated with the sale of the affected pharmaceutical products to the relevant public hospitals and other relevant medical institutions in China, which may have a material adverse impact on our market share and results of operations.

We may fail to win bids in a centralized tender process due to various factors, including reduced demand for the relevant product, uncompetitive bidding price, failure to meet certain quality requirements, insufficient service quality to meet tender requirements, perceived inferior clinical efficacy or safety compared to competing products, or perceptions that our services or other aspects of our operations are less competitive. If our products are not selected in the centralized tender process in one or more regions, we will be unable to sell the relevant products to the public hospitals and other relevant medical institutions in those regions. Consequently, our market share, revenue and profitability could be adversely affected.

Certain of our products are subject to pricing regulation or other policies that are intended to reduce healthcare costs.

Prices of pharmaceutical products typically will decline over the life of the product due to factors such as the centralized tender process, pricing regulation by the PRC government, or increased competition from substitute products. Additionally, the importation of competing products from countries where government price controls or market dynamics result in lower prices can also exert downward pressure on the prices of our products.

The PRC government has recently increased its efforts to reduce overall healthcare costs by reforming the schemes of pricing regulation and statutory tender processes for pharmaceutical products. Currently, prices of pharmaceutical products are mainly determined by market competition through the centralized tender process at the provincial level, without being subject to price ceilings previously set by 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) (the "NDRC") for drugs listed in national or provincial medical insurance catalogs before June 1, 2015. However, there is no assurance that such market-based pricing mechanism will result in higher product pricing. Competition from other manufacturers, particularly those offering similar products at more competitive prices may force us to lower prices of our products upon commercialization. In addition, some new methods are used in recent centralized tender processes at the provincial level, such as renegotiation of prices between hospitals and distributors or manufacturers after the retail prices are determined by the statutory tender process, which may further increase pricing pressure. There is no guarantee that new policies on pharmaceutical pricing or changes in centralized tender processes would not create any further downward pressure on the prices of our existing and future products.

In November 2018, the PRC government launched the national pilot scheme of public medical institutions for tendering with minimum procurement quantities (*i.e.*, the volume-based procurement scheme, or the "VBP" scheme). This initiative is aimed at reducing drug prices and may potentially impact how generic drugs are priced and procured in China. The VBP scheme aims to secure larger quantities of pharmaceutical products at lower prices. While bidding successfully under the VBP scheme allows us to sell our products in larger volumes, it also exerts downward pressure on our product pricing to win bids and influences on the prices at which we sell our products to our distributors, thus impacting our revenue and profitability. There are also uncertainties with respect to future drug coverage of the VBP scheme. As a result, there can be no assurance that we will have additional drugs included in

such scheme in the future. If our competitors win the bid under such scheme while we fail to do so for our products with the same generic names, demand for our products may decrease and our revenue, profitability and market share could be adversely affected. Moreover, even if our products win the bid, there may be discrepancies between the estimated procurement volumes set out in the tender documents and the actual procurement volumes. Consequently, there are uncertainties regarding the impact of the implementation of the VBP scheme on the sales volume and revenue of the winning products. Any such or future changes of policies, which we may not be able to predict or control, could create uncertainties that materially and adversely affect our product pricing, and accordingly, our revenue and profitability.

If government pricing regulation or other policies aimed at reducing healthcare costs cause our product prices to decline, there can be no assurance that we will be able to mitigate the adverse effects of the price reductions without incurring substantial expenses to enhance the competitiveness of our products. Consequently, our profit margins and profitability could be materially and adversely affected.

We are exposed to specific risks of conducting our business and operations in international markets.

We sell pharmaceutical products and active pharmaceutical ingredients to overseas markets, such as in Europe and the U.S. We also out-license some of our commercialization rights and engage in other forms of collaboration worldwide, including conducting clinical trials abroad. We plan to further expand our international business and multi-regional clinical development. If we fail to obtain applicable licenses or fail to enter into strategic collaboration arrangements with third parties in our target overseas markets, or if these collaboration arrangements turn out unsuccessful, our revenue growth potential will be adversely affected. In addition, if the clinical trials conducted by our out-licensing collaboration partners fail to achieve the desired efficacy or safety profiles, it could adversely affect our clinical trials or our ability to obtain regulatory approvals in a timely manner, or at all. Moreover, if we raise additional funds through partnerships, collaborations, strategic alliances, or licensing arrangements from third parties, we may have to relinquish valuable rights to our products and technologies, or future revenue streams, or grant licenses on terms that are not favorable to us.

Our global expansion may expose us to risks and uncertainties, including:

- policies with which we may be unfamiliar, which may differ materially from those in the PRC or other jurisdictions where we currently operate, to obtain overseas permits, licenses and approvals necessary to manufacture or import, market and sell products in or to overseas jurisdictions;

- risks associated with compliance of laws and regulations in foreign jurisdictions, including the rules and regulations from the Office of Foreign Assets Control and the U.S. Bureau of Industry and Security, the U.S. Foreign Corrupt Practices Act (the "FCPA"), and other applicable rules and regulations;

- changes in a specific country's or region's political and cultural climate or economic condition, such as political instability, inflation, currency fluctuations, unexpected changes in tariffs, trade barriers and regulatory requirements;

- risks associated with commercializing our products in new markets where we have limited experience with the local market dynamics and no existing or developed sales, distribution and marketing infrastructure;

- risks of increase in our expenses or diversion of our management's attention from the development of product candidates due to our efforts to enter into collaboration or licensing arrangements with third parties in connection with our international sales, marketing and distribution;

- risks associated with higher costs for new product development and relying on potential overseas partners and/or their distribution network for the development, commercialization, marketing and distribution of our products;

- failure by us to enter into out-licensing arrangements for more of our innovative drugs, failure by our collaboration partners to achieve milestones or perform the out-licensing agreements, and any disputes arising under the out-licensing agreements;

- increased risk of product liability litigation and regulatory scrutiny arising from the marketing and sales of pharmaceutical products in overseas markets and the costs incurred for dealing with such procedures, as well as our ability to obtain insurance to adequately protect us from any resulting liabilities;

- potentially reduced protection for intellectual property rights and potential third-party patent rights;

- compliance with tax, employment, immigration and labor laws;

- the potential for so-called parallel importing, which is what happens when a local seller, faced with high or higher local prices, opts to import goods from an international market with low or lower prices rather than buying them locally; and

- business interruptions resulting from geo-political actions, including war and terrorism, natural disasters, including earthquakes, volcanoes, typhoons, floods, hurricanes and fires, or health epidemics.

These and other risks may materially and adversely affect our ability to attain or sustain revenue from international markets. If we are unable to successfully implement our global expansion strategies, our business prospects may be adversely affected.

All material aspects of our operations are heavily regulated, and any failure to comply with these regulations could have a material adverse effect on our business.

We operate our business primarily in China and have increasing global presence, mainly through sales to over 40 countries, overseas clinical trials, product out-licensing and other international collaborations. The pharmaceutical industry is strictly regulated in China and certain overseas markets, covering aspects such as product development and approval, manufacturing and quality management, sales and marketing, and distribution of products. For example, the NMPA, the U.S. FDA or other relevant regulatory authorities may conduct scheduled or unscheduled periodic inspections of our facilities to monitor our regulatory compliance. We cannot assure you that we will be able to pass all such inspections. Moreover, differences in regulatory regimes across these markets could increase the complexity and compliance costs for a company like us that is expanding its business globally.

The pharmaceutical industry is subject to extensive government regulation and supervision, which cover all aspects of a pharmaceutical company's operations. Violating relevant laws, rules and regulations may constitute a criminal offense under certain circumstances. Specific laws, rules and regulations may also affect the pricing, demand and distribution of our products, such as those relating to the procurement, prescription and dispensing of essential and other drugs by hospitals and other medical institutions, retail pharmacies, government funding for private healthcare and medical services, and the inclusion of products in national or provincial medical insurance drug catalogs. In addition, the pharmaceutical manufacturing, distribution and retail, healthcare services, and medical device sectors are each subject to extensive and evolving government regulations and supervision. Changes in these regulations could increase our compliance costs and materially and adversely affect our business, profitability and prospects.

The process of obtaining regulatory approvals and maintaining compliance with applicable laws and regulations in different jurisdictions requires significant time and financial resources. Failure to comply with applicable regulatory requirements in the jurisdictions where we operate or target to operate in the future, at any time during the drug development, approval or post-approval stages, may subject us to administrative or judicial sanctions. These sanctions could include, but are not limited to, 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 materially and adversely affect our business, financial condition, results of operations and prospects.

Any failure to comply with existing laws, regulations and industry standards could result in fines or other punitive actions against us, termination of ongoing research and disqualification of data for submission to regulatory authorities, or a ban on our future drug sales, each of which could have a material adverse impact on our reputation, 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 our business operations, and adversely affect our reputation and financial results.

If we or our business partners fail to obtain, maintain or renew necessary licenses and permits for the development, production, promotion, and sale of our products, our ability to conduct our business could be materially impaired and our revenue and profitability could be adversely affected.

We are required to obtain, maintain and renew various licenses and permits to develop, produce, promote, and sell our pharmaceutical products. Our business partners, such as suppliers, distributors, licensing collaboration partners, and other third-party contractors, on whom we may rely to develop, produce, promote, sell and distribute our products may be subject to similar requirements. For details, see "Business—Legal and Compliance—Licenses, Permits and Certificates." We and our business partners may be subject to regular inspections, examinations, inquiries or audits by the regulatory authorities, and an adverse outcome may result in the loss or non-renewal of the relevant permits, licenses and certificates. Moreover, the criteria used in reviewing applications for, or renewals of, permits, licenses and certifications may change from time to time, and there can be no assurance that we or parties on whom we rely will be able to meet new criteria that may be imposed to obtain or renew the necessary permits, licenses and certificates. Many of such permits, licenses and certificates are material to the operation of our business, and if we or parties on whom we rely fail to maintain or renew material permits, licenses and certifications, it could materially impair our ability to conduct our business. While we have always been able to maintain and renew our material permits, licenses and certificates, there is no assurance that we will be able to continue doing so in the future.

Any changes in the standards used by government authorities in considering whether to renew or reassess our licenses, permits and certificates, as well as any enactment of new regulations that may restrict the conduct of our business, may decrease our revenue and increase our costs, which in turn could materially and adversely affect our profitability and prospects. Furthermore, if the interpretation or implementation of existing laws and regulations changes, or any new regulation comes into effect, so as to require us or parties upon whom we rely to obtain any additional licenses, permits or certificates that were previously not required to operate our business, there can be no assurances that we or parties upon whom we rely will successfully obtain such permits, licenses or certificates.

The regulatory approval process of the NMPA and other comparable regulatory authorities for our product candidates is lengthy and the result is unpredictable. Any failure to timely obtain these regulatory approvals could adversely affect our business prospects and profitability.

We are subject to risks associated with obtaining regulatory approvals. New pharmaceutical products must be approved by the NMPA and other comparable regulatory authorities before they can be marketed and sold. The time required to obtain approvals from the relevant regulatory authorities in different jurisdictions is unpredictable, typically taking years following the commencement of preclinical studies and clinical trials, and depends on numerous factors, including the substantial discretion of the regulatory authorities. Significant time, efforts and financial resources are required to bring our product candidates to market in

compliance with the regulatory processes, and we cannot assure you that we will be able to meet regulatory requirements of different jurisdictions or that our product candidates will be approved for sale in those jurisdictions. Even if we do obtain regulatory approvals, the process may take longer than expected, or such approvals may be subject to limitations on the indicated uses for which we intend to market the relevant product, therefore restricting its market size and adversely affecting our business, results of operations and growth prospects.

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

- disagreement in the design or implementation of our clinical trials;
- failure to begin or complete clinical trials due to disagreements with regulatory authorities;
- failure to demonstrate that a product 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 the Good Clinical Practice, or the GCP, inspections;
- unexpected changes in regulations, testing requirements, or approval policies that render our preclinical and clinical data insufficient for approvals;
- failure of our drug candidates to pass GMP inspections during the regulatory review process or across the production cycle of our drugs;
- failure of our clinical sites to pass audits carried out by the NMPA or other comparable regulatory authorities, resulting in a potential invalidation of our research data; and
- clinical sites, investigators or other participants in our clinical trials deviating from a trial protocol, failing to conduct the trial in accordance with regulatory requirements, or dropping out of a trial.

In addition, the NMPA or other comparable regulatory authorities may require more information to support approval, including additional preclinical or clinical data, which may result in delay in or denial of regulatory approval. Moreover, policies of the NMPA and other comparable regulatory authorities may change, and additional government regulations may be enacted that could prevent, limit or delay regulatory approval of our product candidates. For example, in recent years, PRC regulatory authorities have been introducing new policies and

measures with respect to the review, approval and regulation of pharmaceutical products, raising the standards for the review of each stage of the development of new drugs. Furthermore, clinical trials conducted in one jurisdiction may not be accepted by regulatory authorities in other jurisdictions, and regulatory approval in one jurisdiction does not mean that regulatory approval will be obtained in any other jurisdiction. Approval procedures vary among jurisdictions and can involve additional product testing and validation and additional administrative review periods. We cannot assure you that we will be able to meet regulatory requirements of different jurisdictions or that our product candidates will be approved for sale in those jurisdictions. Additional time, efforts and expenses may be required to bring our product candidates, upon regulatory approval, to the international markets in compliance with different regulatory processes.

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 product candidates, and may cause reputational damage to us. Consequently, we would not be able to realize any revenue on such product candidate despite the significant amount of resources we would have spent on its development, and we may need to incur additional expenses and recognize impairment on our intangible assets, which could materially and adversely affect our business, financial condition, results of operations and prospects.

Failure to achieve or maintain market acceptance for our products could have an adverse impact on our profitability and business prospects.

The commercial success of our products, including existing or future products, depends on the degree of market acceptance they achieve among the medical community, particularly medical professionals and hospitals. The acceptance of our products will depend upon several factors, including:

- the safety and efficacy of our products and the prevalence and severity of side effects, if any;
- the pricing and cost-effectiveness of our products;
- the perceived advantages and disadvantages of our products, including the prevalence and severity of side effects, relative to competing products or treatments;
- the effectiveness of our sales and marketing efforts;
- publicity concerning our products or competing products;
- our ability to respond to changes in needs and preferences of healthcare practitioners and patients; and
- the inclusion of our products in key medical insurance schemes.

If our products fail to achieve or maintain widespread market acceptance, or if new products or treatments introduced by our competitors are perceived more favorably by healthcare practitioners and patients, our products may be rendered obsolete, and the demand for our products may decline. As a result, our profitability and business prospects may be materially and adversely affected.

In addition, the actual market size of our product candidates may not be as large as we anticipate, influenced by various factors such as market acceptance, pricing, and patient availability. The number of patients in addressable markets may turn out to be lower than expected, or new patient identification and access may become more challenging. Any of the above unfavorable developments could adversely impact on our business, financial condition and results of operations.

We operate in a highly competitive environment, and we may not be able to compete effectively against current and future competitors, which could adversely affect our revenue and profitability.

We operate in a highly competitive environment. Failure to compete effectively could result in decrease of sales, reduction of price and loss of market share, any of which could have a material adverse effect on our results of operations and prospects. Our products primarily compete on the basis of efficacy, safety, price and general market acceptance. Our competitors include large domestic and international pharmaceutical companies, as well as smaller emerging pharmaceutical and biotechnology companies. There are a number of potential competitors that currently market and sell drugs or are pursuing the development of drugs for the treatment of the same indications as our product candidates. In particular, we may face intense competition in the development of innovative drugs. Some of these competitors have better resources and expertise than us. The competitive landscape of our target market is constantly evolving with the introduction of next-generation treatments and advanced technologies, which could provide more effective or convenient treatment options. In light of the intense competition, we may not be able to compete effectively and obtain substantial market share even if we successfully complete the development and commercialization of our product candidates. We anticipate that we will face increasing competition as new drugs enter the market and advanced technologies become available.

Our commercial opportunity could be significantly reduced or even eliminated if our competitors develop and commercialize drugs that are safer, more effective, more convenient, or less expensive than the drugs we may develop or commercialize. Our competitors also may obtain approval from the NMPA or other comparable regulatory authorities for their drugs more rapidly than we may obtain approval for ours, which could result in our competitors establishing a strong market position before we are able to enter the market. They may render our product candidates obsolete or non-competitive before we can recover expenses of developing and commercializing any of our product candidates.

Our products may also face increased competition from substitute products manufactured by overseas pharmaceutical companies that are seeking to access or further penetrate the PRC market. To the extent that our competitors' substitute products are, or are perceived to be, more clinically or cost effective than ours, or otherwise gain wider market acceptance than any of our pharmaceutical products, this could adversely affect our sales volumes and pricing levels for the relevant products. If pharmaceutical products manufactured overseas are perceived more favorably than products manufactured domestically in the PRC, it could erode our market share and have a material adverse impact on our results of operations and prospects.

Successful sales and marketing are crucial for us to enhance our competitiveness, including our ability to increase the market penetration of our existing products, expand our coverage of hospitals and other medical institutions and promote new products. If we are unable to increase or maintain the effectiveness and efficiency of our sales and marketing activities, our sales volume and business prospects could be adversely affected.

In addition, there may also be significant consolidation in the pharmaceutical industry among our competitors, or alliances developed among competitors that may rapidly acquire significant market share. Smaller and other early-stage companies may also prove to be significant competitors, particularly through collaborative or licensing arrangements with large and established companies. If we fail to effectively compete with our competitors or adjust to structural changes in the pharmaceutical industries, our revenue and profitability may be materially and adversely affected.

Even after we obtain regulatory approval for the marketing of our product candidates, they remain subject to ongoing or additional regulatory obligations and continued regulatory review, which may expose us to liabilities and result in significant additional expenses.

Our product candidates, once approved, will be subject to ongoing or additional regulatory requirements of the NMPA or other comparable regulatory authorities, including those relating to manufacturing, labeling, packaging, storage, advertising, promotion, sampling, record-keeping, and conduct of post-marketing studies. These requirements also include submissions of safety, efficacy and other post-marketing information and reports, registration, as well as continued compliance with the applicable GMP and GCP, for any clinical trials that we conduct post-approval.

Any approvals that we receive for our product candidates may be subject to limitations on the indications approved for which the drugs may be marketed, which could adversely affect the drugs' commercial potential. In addition, the approvals may contain requirements for potentially costly post-marketing testing and surveillance to monitor the safety and efficacy of the product candidates. The NMPA or a comparable regulatory authority may also require a post-approval risk evaluation and mitigation strategy program as a condition of approval of our product candidates.

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

- restrictions on the marketing or manufacturing of the drug, withdrawal of the drug from the market, or voluntary or mandatory drug recalls;
- fines, warning letters or holds on clinical trials;
- refusal by the NMPA or comparable regulatory authorities to approve pending applications or supplements to approved applications filed by us, or suspension or revocation of drug 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.

In addition, we are subject to ongoing regulatory requirements for our day-to-day business operations. Accordingly, we must continue to expend time, costs and efforts in all areas of regulatory compliance, including manufacturing and quality management. We cannot predict the likelihood, nature or extent of governmental policies or regulations that may arise from future legislation or administrative actions in China or other jurisdictions, especially when the regulatory environment is constantly evolving. If we are unable to maintain regulatory compliance, or if we are slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, we may lose any regulatory approval that we have obtained, and we may not achieve or sustain profitability.

If we fail to obtain facilitated regulatory pathways from the NMPA or comparable regulatory authorities in other jurisdictions, we may be required to conduct additional clinical trials, which would result in additional costs and expenses and delay our receipt of relevant approvals.

The NMPA and comparable regulatory authorities in other jurisdictions may allow the use of data from a registrational trial and grant facilitated regulatory pathways to a product candidate that provides meaningful therapeutic benefit over available therapies for the treatment of a serious or life-threatening conditions. The determination is made based on a finding that the product candidate has an effect on a surrogate endpoint or intermediate clinical endpoint that is reasonably likely to predict clinical benefit. For example, the U.S. FDA considers a clinical benefit to be a positive therapeutic effect that is clinically meaningful in the context of a given disease, such as irreversible morbidity or mortality.

For the purposes of accelerated approval, a surrogate endpoint is a marker, such as a laboratory measurement, radiographic image, physical sign, or other measure that is thought to predict clinical benefit, but is not itself a measure of clinical benefit. An intermediate clinical endpoint is a clinical endpoint that is considered reasonably likely to predict the clinical benefit of a drug, such as an effect on irreversible morbidity or mortality. The facilitated regulatory pathways may be used in cases in which treating serious diseases with a new drug is in every one's interest, especially when the drug is the first available treatment or if the drug has advantages over existing treatments. Prior to seeking such facilitated regulatory pathways, we will continue to seek feedback from the NMPA and comparable regulatory authorities in other jurisdictions and otherwise evaluate our ability to obtain such accelerated approval.

There can be no assurance that in the future regulatory authorities will agree with our surrogate endpoints or intermediate clinical endpoints, or that we will decide to pursue or submit any new drug applications, or other comparable applications, for accelerated approval or any other form of facilitated regulatory pathways. Similarly, there can be no assurance that, after feedback from the regulatory authorities, we will continue to pursue or apply for accelerated approval or any other form of facilitated regulatory pathways, even if we initially decide to do so. Furthermore, for any submission of an application for accelerated approval or application under another facilitated regulatory pathway, there can be no assurance that such submission or application will be accepted for filing or that any expedited development, review or approval will be granted on a timely basis, or at all. A failure to obtain accelerated approval or any other form of facilitated regulatory pathways for our product candidates would result in a longer time period for commercialization of such product candidate, could increase the cost of development of such product candidate, and could harm our competitive position in the marketplace. Even if we obtain accelerated approval of a product candidate based on a surrogate endpoint, we will likely be required to conduct a post-approval clinical outcomes trial to confirm the clinical benefit of the product candidate and, if the post-approval trial is not successful, we may not be able to continue marketing the drug for the relevant indication.

Our historical operational and financial performance may not be indicative of our future performance, and we may not be able to sustain similar growth in the future.

We have experienced steady financial growth during the Track Record Period. Our revenue increased from RMB21.3 billion in 2022 to RMB22.8 billion in 2023, and increased from RMB17.0 billion for the nine months ended September 30, 2023 to RMB20.2 billion for the same period of 2024. However, you should not rely on the revenue growth of any prior period as an indication of our future performance, as our operational and financial growth is not necessarily indicative of results that we may achieve in the future. There are a wide array of factors that will affect our performance and growth, including the overall economy, market acceptance of our products, competitive products and technologies, and pricing pressures, many of which are beyond our control. We cannot assure you that we will be able to maintain our growth at the same rate as we did in the past, or avoid any decline in the future.

In addition, we will continue to develop new products and technologies in the future, but we cannot assure you that our efforts will be successful or generate results that meet our expectations, or at all. Failure to achieve our intended business results may have a material adverse impact on our business and results of operations. Furthermore, the pharmaceutical market, as well as applicable laws and regulations governing the pharmaceutical market, in China and other jurisdictions where we operate, are subject to further changes. As market conditions and the regulatory environment continue to evolve, we cannot assure you that our operations will continue to deliver the expected business results.

If we fail to achieve our expected product development milestones, it could adversely affect our business prospects.

Achieving product development milestones is critical to the success of our business, as these milestones directly influence our ability to successfully launch our products and meet our strategic goals. However, the successful implementation of our product development programs is subject to significant business, economic and competitive uncertainties and contingencies, including product development risks, the availability of funds, competition, obtaining of relevant approvals and permits, changes in regulations and government policies, and the continued growth of the pharmaceutical market. The actual timing for achieving our expected product development milestones could vary significantly from our expectations due to a number of factors, many of which are outside our control, including delays or failures in our preclinical studies or clinical trials, challenges in maintaining or establishing relationships with our research collaborators or co-development partners, uncertainties inherent in the regulatory approval process for new pharmaceutical products, and delays in manufacturing or marketing arrangements needed to commercialize our pharmaceutical products. There can be no assurance that our preclinical studies or clinical trials will be completed on schedule, or at all, or that we will make regulatory submissions or receive regulatory approvals as planned. As such, our ability to adhere to our current schedule for the launch of any of our products candidates is subject to these uncertainties. If we fail to achieve one or more of these milestones as expected, we may need to incur additional expenses and recognize impairment on our intangible assets, which could adversely affect our business prospects. Furthermore, if our collaboration partners fail to meet the product development milestones for our out-licensed products, or fail to achieve expected commercialization or sales targets for these products, it could adversely affect our ability to receive the milestone or royalty payments, damage our reputation, and diminish market confidence in our products, thus negatively impacting our business prospects, financial position and results of operation.

We may be unable to manage our future growth effectively. Failure to execute our business strategies could have an adverse effect on our business prospects.

We make continuous efforts to expand and develop our business. Our business growth requires managing complexities across all aspects of our business, including those associated with the development of new products and technologies and our global expansions. Executing our business strategies requires significant time and attention from our management, and any failure to effectively execute our business strategies could adversely affect our business prospects.

In addition, the growth of our business places strains on our operational systems and processes, financial systems, internal controls and other aspects of our business. To effectively manage our growth, we must continue to improve our operational efficiency and strengthen our talent pool by effectively hiring, training and managing our personnel. The time and resources required to improve our existing systems and procedures, implement new ones and staff them adequately are uncertain. Failure to do so in a timely and efficient manner could adversely affect our operations and negatively impact our business and financial performance.

We may fail to sufficiently and promptly respond to rapid scientific and technological changes, clinical demand and market changes in the pharmaceutical industry.

The pharmaceutical industry is characterized by rapid advancements in science and technology and the continuous emergence of new treatment options. Our future success depends on our ability to launch new products that meet evolving market demand, in particular, new drugs that are effective in treating or diagnosing new diseases and illnesses. We cannot assure you that we will be able to respond to emerging or evolving trends by improving our product matrix, technology platforms, and R&D capabilities in a timely manner, or at all.

In addition, clinical demand for pharmaceutical products may change rapidly. Our success depends on our ability to anticipate product offering lead time and demand, identify clinical demand and customer preferences, and adapt our products accordingly. We may need to adjust our R&D plan, production scale and schedule, product matrix, and inventory levels in response to clinical demand, customer preferences, sales trends and other market conditions. There can be no assurance that we will be able to sufficiently and promptly respond to changes in clinical demand and other market conditions in the future, and any such failure may have a material adverse effect on our business, financial condition, results of operations and profitability.

If we fail to maintain, expand and optimize an effective distribution network for our pharmaceutical products, our sales and business prospects could be adversely affected.

We have established a network of distributors in China and overseas markets, which we rely on to distribute our pharmaceutical products to meet market demand and drive our sales. In each of the years ended December 31, 2022 and 2023 and the nine months ended September 30, 2024, revenue from our five largest customers, a substantial majority of whom were our distributors, accounted for 59.8%, 62.0% and 61.3% of our total revenue, respectively. For more details on our five largest customers, see "Business—Customers." Our ability to maintain and expand our business and satisfy the demand for our drugs will depend on our ability to maintain, expand, and optimize a distribution network to timely deliver our products throughout our target markets. However, we have limited control over third-party distributors. They may not distribute our pharmaceutical products in the manner we anticipate, which may impair the effectiveness of our distribution network. In addition, our distributors do not sell our products exclusively, which may put our products in direct competition with similar ones from our competitors that are sold by our distributors.

Moreover, in line with industry practice, we typically enter into distribution agreements with our distributors for a term of one year, which requires continuous renewal of these agreements to maintain our relationships with them. Our distributors might choose not to renew their agreements with us or otherwise terminate their business relationships with us for various reasons, including adverse impact from pricing regulations in China or other jurisdictions where we operate, or other factors that limit the margins our distributors can obtain through the resale of our pharmaceutical products to hospitals, other medical institutions and retail pharmacies.

Our strategies contemplate expanding our coverage of medical institutions in lower-tier cities, rural areas and community healthcare service centers and collaborating with leading pharmaceutical distributors to leverage their channel resources and marketing networks to swiftly penetrate key markets around the globe. However, we may not be able to establish relationships on commercially acceptable terms with new distributors to cover these areas. In the event that a significant number of our distributors terminate their relationships with us, or we are otherwise unable to maintain and expand our distribution network effectively, our sales volumes and business prospects could be adversely affected. Furthermore, if a significant number of our distributors cease or reduce their purchases of our products or fail to perform their obligations under the distribution agreements, our business, financial condition and results of operations may be materially and adversely affected.

The data and information that we gather in our R&D process could be inaccurate or incomplete, which could affect the clinical development of our product candidates and harm our business, reputation, financial condition and results of operations.

We receive, collect, and analyze data and information from our preclinical studies and clinical trials. Because data in the pharmaceutical industry are often fragmented in origin, inconsistent in format, and incomplete, the overall quality of data collected or accessed in the industry is often subject to challenges, and the degree or amount of data which is knowingly or unknowingly absent or omitted can be material. Consequently, we may discover issues or errors during our data monitoring and auditing processes. If we make mistakes in the capture, input, or analysis of these data, our ability to advance the development of our product candidates may be materially and adversely affected and as a result, our business, prospects and reputation may suffer.

We also manage and submit data to governmental agencies to obtain necessary regulatory approvals. These processes and submissions are governed by complex data processing and validation policies and regulations. Notwithstanding such policies and regulations, interim, top-line or preliminary data from our clinical trials that we release from time to time may change as more patient data become available and undergo audit and verification procedures. Such changes could expose us to liabilities if a patient, court or government agency that concludes that our storage, handling, submission, delivery, or display of data was wrongful or erroneous. Although we maintain insurance coverage for clinical trials, this coverage may prove to be inadequate. Even unsuccessful claims could result in substantial costs and diversion of management time, attention, and resources. A claim brought against us that is uninsured or under-insured could harm our business, financial condition and results of operations.

In addition, we engage certain third parties to monitor and manage data for our clinical trials. If any of these third parties do not perform to our standards in terms of data accuracy or completeness, data from those preclinical studies and clinical trials may be compromised as a result, and our reliance on these parties does not relieve us of our regulatory responsibilities. For details, see "—If we, our employees, affiliates or business partners engage, or are perceived to engage, in misconduct or other improper activities, including corrupt practices and non-compliance with regulatory standards and requirements, our business or reputation could be harmed and we could be exposed to regulatory investigations, costs and liabilities."

Any failure to perform proper quality control or assurance or produce products that satisfy necessary quality standards could harm our business and reputation, and our revenue and profitability could be adversely affected.

Our products and manufacturing processes are required to meet necessary quality standards. Despite our quality management system and procedures, we cannot eliminate the risk of errors, defects or failure. We may fail to detect or resolve quality defects as a result of a number of factors, many of which are outside our control, including:

- manufacturing errors;
- technical or mechanical malfunctions in the manufacturing process;
- human error or malfeasance by our quality management personnel;
- tampering by third parties; and
- quality issues with the raw materials we purchase or produce.

In addition, when we expand our manufacturing capacity in the future, we may not be able to ensure consistent quality between products manufactured in the existing and new facilities, or need to incur substantial costs for doing so. Furthermore, if we acquire other pharmaceutical companies, we may not be able to immediately ensure that their manufacturing facilities and processes will meet our own quality standards.

Failure to detect quality defects in our pharmaceutical products or to prevent such defective products from being delivered to end-users could result in patient injury or death, product recalls or withdrawals, license revocation or regulatory fines, or other consequences that could seriously harm our reputation and business, expose us to liability, and adversely affect our revenue and profitability.

If our products cause, or are perceived to cause, severe side effects, our revenue and profitability could be adversely affected.

Our pharmaceutical products may cause severe side effects as a result of a number of factors, many of which are outside of our control. These factors include potential side effects not revealed in clinical studies, unusual but severe side effects in isolated cases, defective products not detected by our quality management system or misuse of our products by end-users. Our products may also be perceived to cause severe side effects when a conclusive determination as to the cause of the severe side effects is not obtained or is unobtainable. In addition, our products may be perceived to cause severe side effects if other pharmaceutical companies' products containing the same or similar active pharmaceutical ingredients, raw materials or delivery technologies as our products are known or perceived to have caused

severe side effects. Similarly, if one or more regulators in China or other jurisdictions, or an international institution, determines that products containing the same or similar pharmaceutical ingredients as ours cause or lead to severe side effects, this could also affect the perception of our products.

If our products cause, or are perceived to cause, severe side effects, we may face a number of consequences, including:

- injury or death of patients;
- a severe decrease in the demand for, and sales of, the relevant products;
- recall or withdrawal of the relevant products;
- revocation of regulatory approvals for the relevant products or the relevant production facilities;
- damage to the brand name of our products and our reputation;
- stricter and more frequent regulatory inspections of our manufacturing facilities and products;
- removal of relevant products from any medical insurance catalogs, including provincial lists of special medications related to the severe diseases insurance;
- inability to participate in the centralized tender processes; and
- exposure to lawsuits and regulatory investigation relating to the relevant products that result in liabilities, fines or penalties.

Any of these potential consequences could materially and adversely affect our revenue, profitability and business prospects.

We are subject to product liability claims against us, which could expose us to substantial costs and liabilities and adversely affect our operations, profitability and reputation.

We are exposed to product liability risks as a result of developing, producing, marketing, promoting and selling pharmaceutical products in the PRC and other jurisdictions in which our pharmaceutical products are marketed and sold. Such claims may arise if any of our products are deemed or proven to be unsafe, ineffective, defective or contaminated or if we are alleged to have engaged in practices such as insufficient or improper labeling of products or providing inadequate warnings or insufficient or misleading disclosures of side effects. There can be no assurance that we will not become subject to product liabilities claims or that we will be able to successfully defend ourselves against any such claims.

If a product liability claim is brought against us, it may, regardless of merit or outcome, strain our financial resources and consume the time and attention of our management. It may also result in damage to our reputation, product recalls, loss of revenue, and inability to commercialize our products. If we are unable to defend ourselves against such claims and our pharmaceutical products are found to be defective, we may be subject to civil liability for physical injury, death or other losses caused by our products, as well as criminal liability and the revocation of our business licenses. In addition, we may be required to recall the relevant products, suspend sales, or cease sales altogether. Other jurisdictions in which our products are sold, or may be sold, particularly more developed markets such as Europe and the U.S., may have similar or more onerous product liability and pharmaceutical regulatory regimes, as well as more litigious environments that may further expose us to the risk of product liability claims. Even if we are able to successfully defend ourselves against any such product liability claims, doing so may require significant financial resources and the time and attention of our management.

PRC laws and regulations currently do not require us to maintain liability insurance to cover product liability claims, and product liability insurance we have purchased is limited. Our inability to obtain sufficient insurance coverage at an acceptable cost or otherwise to protect against potential product liability claims could prevent or inhibit the commercialization of products that we develop. For details, see "—Our insurance coverage is limited. If we experience uninsured losses, it could adversely affect our financial condition and results of operations."

If safety, efficacy, or other issues arise with any medical product that is used in combination with our product candidates, we may be unable to market such product candidates or may experience significant regulatory delays or supply shortages, and our business could be materially harmed.

We are actively expanding indications for our commercialized products and developing product candidates for use as a combination therapy. If a regulatory authority revokes its approval of the other therapeutic that we use in combination with our product candidates, we will not be able to market our product candidates in combination with such revoked therapeutic. If safety or efficacy issues arise with these or other therapeutics that we seek to combine with our product candidates in the future, we may experience significant regulatory delays, and we may be required to redesign or terminate the applicable clinical trials. In addition, if manufacturing or other issues result in a supply shortage of any component of our combination product candidates, we may not be able to complete clinical development of our product candidates on our current timeline or within our current budget, or at all.

If we suffer substantial disruption to any of our manufacturing facilities or encounter problems in manufacturing our products, our business and results of operations could be adversely affected.

We manufacture substantially all of our products through our own manufacturing facilities in China. The continued operation of our manufacturing facilities and our production safety may be substantially interrupted and materially and adversely affected due to a number of factors, many of which are outside of our control. These may include fire, flood, earthquakes, power outages, fuel shortages, mechanical breakdowns, health epidemics, terrorist attacks and wars, or other natural disasters; loss of licenses, permits or certificates; and changes in governmental planning for land used for these facilities or their vicinity, and other regulatory changes.

If the operation of any of our manufacturing facilities is substantially disrupted, we may not be able to replace the equipment or inventories at such facilities, or use alternative sites or third-party contractors to continue our production in a legal, timely and cost-effective manner, or at all. Although we maintain property insurance for our production facilities and equipment, we do not maintain business interruption insurance, and the amount of our insurance coverage may not be sufficient to cover our losses in the event of a significant disruption to any of our manufacturing facilities.

Additionally, we may experience disruptions to our supply chain, such as shortages in supplies of raw materials and other products from our suppliers, whether due to dependency on single-source or a few major market players or otherwise, or industry-wide disruptions in the supply chain for reasons beyond our control, such as pandemics, regional conflicts, global crises and destruction of transportation infrastructure or routes. Should any of these occur, it could materially and adversely affect our manufacturing operations, negatively impacting our business and results of operations.

Furthermore, problems may also arise during manufacturing for a variety of reasons, including equipment malfunction, failure to follow specific protocols and procedures, problems with raw materials, delays related to the construction of new facilities or the expansion of our existing production facilities (including changes in production sites and limits to manufacturing capacity due to regulatory requirements), changes in the types of products produced, physical limitations that could inhibit continuous supply, and man-made or natural disasters and environmental factors. As a result of disruption to our manufacturing facilities or any problems in manufacturing our products, we may fail to fulfill contract obligations or meet market demand for our products, and our business, revenue and profitability could be adversely affected.

If we fail to increase our production capacity or upgrade our existing production facilities in response to increasing demand for our products, our business prospects could be adversely affected.

As part of our strategies, we intend to expand or upgrade our production facilities in China and establish new production facilities in China and key overseas markets. See "Business—Our Strategies" for more details. However, our ability to successfully implement such expansion and upgrade plan is subject to a number of risks and uncertainties, including our ability to obtain the requisite licenses, permits and approvals for the construction and operation of any new manufacturing facilities and production lines, the risk of construction delays and delays in equipment procurement, as well as our ability to timely recruit sufficient qualified staff to support the expansion of our production capacity. Consequently, there can be no assurance that we will be able to increase our production capacity and upgrade our existing production facilities in the manner we contemplate, if at all. In the event we fail to do so, we may not be able to capture the potential growth in demand for our products or successfully commercialize additional products, which could adversely affect our results of operations and business prospects. Moreover, our plans to increase our production capacity and upgrade our existing production facilities require significant capital investment, and the actual costs of our expansion and upgrade plan may exceed our original estimates, which could adversely affect the return on our expenditure. The implementation of our expansion and upgrade plan may also increase our operating costs, such as higher staff costs, depreciation, and utility costs, which may adversely affect our results of operations and financial condition.

Failure to maintain optimal inventory levels could increase our operating costs or lead to unfulfilled customer orders, either of which could have a material adverse effect on our business and results of operations.

As of December 31, 2022 and 2023, and September 30, 2024, we had inventories of RMB2,450.6 million, RMB2,314.0 million and RMB2,531.0 million, respectively. We seek to maintain optimal inventory levels to fulfill orders coming from our extensive distribution network and successfully meet our customers' demand. However, we are exposed to inventory risk as a result of rapid changes in product life cycles, changing clinical demands, uncertainty of product developments and launches as well as the volatile global economic environment. Further, demand for products could change significantly between the time when the products are approved for market introduction and the time they are ready for sale and delivery. When we begin to sell a new product, it is particularly difficult to forecast product demand accurately.

There can be no assurance that we can accurately predict customer demand and market trends and avoid over-stocking or under-stocking our products. Inventory levels in excess of demand may result in inventory write-downs, expiration of our products or an increase in inventory holding costs, and a potential negative effect on our liquidity. On the contrary, if we underestimate demand, we may experience inventory shortages, which may, in turn, result in unfulfilled customer orders, leading to a negative impact on our customer relationships and

loss of sales opportunities and revenue. There can be no assurance that we will be able to maintain proper inventory levels of our products, and any such failure may have a material adverse effect on our business and results of operations.

Adverse drug reactions and negative results from off-label use of our products could materially and adversely affect our business, reputation, brand name, and results of operations and expose us to liability claims.

Products distributed or sold in the pharmaceutical market may be subject to off-label drug use, which involves prescribing a product for an indication, dosage or dosage form that is not in compliance with regulatory approved usage and labeling. The NMPA and other comparable regulatory authorities actively enforce laws and regulations against off-label use, and companies found to have improperly promoted off-label uses may be subject to significant liabilities. There remains the risk that our products are subject to off-label drug use and are prescribed in a patient population, dosage or dosage form that has not been approved by competent authorities, rendering our products less effective or entirely ineffective or causing adverse drug reactions. Any of these occurrences can create negative publicity and significantly damage our business, reputation and brand name, and expose us to liability claims and penalties. These occurrences may also cause a delay in the progress of our clinical studies, such as those for indication expansions of our relevant products, which may ultimately result in failure to obtain regulatory approval for our product candidates, and, in turn, adversely affect our business and results of operations.

Our products may involve risks of contamination.

Our products, especially our therapeutic biological products, may involve the risk of contamination. The manufacturing of therapeutic biological products usually requires cultivation steps, including growth of the appropriate organism and the use of substances of animal origin, which makes it easy to introduce a contaminant and amplify low levels of contamination. In addition, cross-contamination could result from manufacturing activities at shared equipment and facilities, which are common. Other activities such as diagnosis and research are frequently linked to manufacturing, which may create opportunities for cross-contamination. Furthermore, improper actions during the long-distance transportation, storage and delivery services may also result in contamination.

In the event of contamination or injury resulting from such contamination, we could be subject to liabilities for any resulting damages to patients, product recalls, confiscation or destroy. We could also incur significant costs associated with civil or criminal fines and penalties for failure to comply with laws and regulations. In addition, contamination of our products could cause customers or other third parties with whom we conduct business to lose confidence in our products' quality and the reliability of our manufacturing procedures, which could adversely affect our sales and profits. Furthermore, if contaminated products are unknowingly distributed, they could harm patients, damage the reputation of our products and expose us to product liability claims, criminal charges and administrative sanctions.

If we are unable to adequately protect our intellectual property, or if the scope of our intellectual property fails to sufficiently protect our proprietary rights, our competitors could compete against us more effectively, which may have a material adverse impact on our business and results of operations.

Our success depends in large part on our ability to protect our valuable innovations, including our products, product candidates and proprietary technologies, by obtaining, maintaining and enforcing our intellectual property rights, such as patent rights. We seek to protect our intellectual property that we consider commercially important by filing patent and trademark applications, securing pharmaceutical regulatory protection, enforcing contractual confidentiality obligations, relying on trade secrets, or employing a combination of these methods. For details of our intellectual property rights, see "Business—Intellectual Property Rights" and Appendix VI to this document. If we fail to adequately protect our intellectual property, competitors may be able to imitate or copy our products, use our technologies and erode or negate any competitive advantage we may have, which could adversely affect our business and results of operations.

However, there are a number of risks and uncertainties related to the patent application process. Filing, prosecuting and maintaining patents or patent applications on our products or product candidates worldwide could be time-consuming and expensive, and there is no assurance that any of our pending patent applications will lead to issued patents, or that such patents, if issued, will provide us with adequate proprietary protection or competitive advantages. In addition, the patentability requirements across countries and regions vary and the laws of different countries or regions do not provide patent protection to pharmaceutical inventions to the same extent. Therefore, our patent applications may not be granted in all countries and regions, and the scope and strength of issued patents can vary globally. Moreover, different countries and regions may provide varying regulatory exclusivities to pharmaceutical products, and some countries or regions provide no regulatory exclusivities at all. Consequently, we may not be able to achieve uniform protection or exclusivities for our products or product candidates. Furthermore, given the lengthy process required for the development, testing and regulatory review of new product candidates, patents protecting such product candidates might expire before or shortly after such product candidates are commercialized. As a result, our patents and patent applications may not provide us with an adequate exclusivity period for our products or product candidates.

Moreover, the patents that we hold are for a finite duration. Following the expiration of the relevant patents, our existing or future competitors may be able to develop and introduce substitute products to ours which may be identical in formulation. In the event that our competitors introduce substitutes for these products post-patent expiration, it could have an adverse impact on the sales volume and pricing levels for such products. Although extensions may be available, there is no guarantee that we will be able to secure such extensions, or that they will be extensive as requested. This might allow our competitors to obtain approval for competing products following our patent expirations. Furthermore, there are a number of factors that could cause our existing patents or other intellectual property to become invalid or unenforceable, including known or unknown prior art, deficiencies in patent applications and

lack of originality in the underlying technologies. If the patents relevant to our products or product candidates were to be declared invalid or unenforceable, it could have an adverse impact on the sales volume and pricing levels for our products and our ability to successfully commercialize the product candidates.

In addition, our employees or partners might disclose our proprietary information or trade secrets. We may be unsuccessful in securing confidentiality agreements with our employees or business partners. Our employees or partners may also breach the confidentiality clauses and disclose our trade secrets to third parties, which could adversely affect our competitive position.

Changes in patent laws in China, Europe, the U.S., and other jurisdictions where we hold intellectual property could raise challenges with respect to our intellectual property protection in such jurisdictions.

Our success is heavily dependent on obtaining, maintaining, enforcing and defending intellectual property, particularly patents. Obtaining and enforcing patents in the pharmaceutical industry often involve technological and legal complexity and are costly, time-consuming and inherently uncertain. Changes in patent laws or their interpretation in China, the U.S., Europe or other 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 intellectual property rights.

In China, the relatively recent amendment to the PRC Patent Law in October 2020, which became effective in June 2021, introduced patent term compensation mechanism for eligible invention patents related to new drugs. The patents owned by third parties may be extended, which may in turn affect our ability to commercialize our drug candidates (if approved) without facing infringement risks. According to the PRC Patent Law, in order to compensate for the time used for the review and approval of new drugs for marketing, the patent administration department of the State Council must, at the request of the patentee, provide patent term compensation for invention patents of new drugs approved for marketing in China. The patent term compensation may not exceed five years, and the total effective term of the patent after the new drug approved for marketing should not exceed 14 years. If we are required to delay commercialization for an extended period of time, technological advances may develop and new products may be launched, which may in turn render our products non-competitive. We cannot guarantee that any other changes to PRC intellectual property laws would not have a material impact on our intellectual property protection.

Furthermore, the PRC and the U.S. have adopted the "first-to-file" system under which whoever first files a patent application will be awarded the patent if all other patentability requirements are met. Publications of discoveries in the scientific literatures often lag behind the actual discoveries. In the PRC, invention patent applications are generally maintained in confidence until their publication 18 months from the filing date, Similarly, 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. Even after reasonable investigation, we may not know with certainty whether any third-party may have filed a patent application without our knowledge while we are still developing or producing that product. In addition, recent U.S. Supreme Court rulings have narrowed the scope of patent protection available in certain circumstances and weakened the rights of patent owners in certain situations. These events have created uncertainty with respect to the validity and enforceability of patents once obtained. Additionally, laws and regulations governing patents could change in unpredictable ways that could have a material adverse effect on our patent rights and our ability to protect, defend and enforce our patent rights in the future.

We may be subject to intellectual property infringement claims, which could divert our management's attention, expose us to substantial liability, harm our reputation, limit our R&D or other business activities and impair our ability to sell our products or commercialize our product candidates.

Our success depends significantly on our ability to develop, manufacture, market and sell our products and use our proprietary technologies without infringing, misappropriating or otherwise violating the patents and other proprietary rights of third parties. The pharmaceutical industry is characterized by extensive litigation regarding patents and other intellectual property rights. We have been, and may from time to time become, party to, or threatened with, adversarial proceedings or litigation in the PRC and overseas regarding intellectual property rights with respect to our technology and any products or product candidates we may develop. As the pharmaceutical industry expands and more patents are issued, the risk increases that our products, product candidates or technologies that we develop may be subject to claims of infringement of the patent rights of third parties.

Third parties may assert infringement claims against us based on patents or other proprietary rights that we currently hold or may be granted in the future, regardless of their merit. The risk of being subject to intellectual property infringement claims will increase as we continue to expand our operations and product offerings. Additionally, as patent applications can take many years to issue, there may be pending patent applications which might eventually lead to issued patents which our products or product candidates could inadvertently infringe. Moreover, there may be existing patents that we are not aware of or that we have incorrectly concluded are invalid or not infringed by our activities. As such, we may be unable to determine whether any of our products, product candidates, processes and other related matters infringe upon the intellectual property rights of others. We have received, and may from time to time receive, notices that claim our technologies or certain other aspects of our business have infringed, misappropriated or misused third parties' intellectual property rights. Whether or not third-party intellectual property claims have merit, there is no assurance that a court would find in our favor on questions of infringement, validity, enforceability or priority. Defending against these claims, regardless of their merit, would also involve substantial litigation expenses and create a significant diversion of resources from our business. A court of competent jurisdiction could hold that these third-party patents or other intellectual property

rights are valid and enforceable and infringed by us, which could materially and adversely affect our ability to commercialize product candidates we may develop and any other product or technologies covered by the asserted third-party patents or other intellectual property rights.

If we are found to have infringed on a third party's intellectual property, and we are unsuccessful in demonstrating that such patents or other intellectual property rights are invalid or unenforceable, we could be required to:

- obtain royalty-bearing licenses from such third party, which may not be available on commercially reasonable terms, if at all;
- acquire any necessary licenses from third parties, which could be non-exclusive, give our competitors and other third parties access to the same technologies licensed to us, and require us to make substantial licensing and royalty payments;
- defend litigation, arbitration, or administrative proceedings;
- reformulate our product or product candidate so that it does not infringe the intellectual property rights of others, which may not be possible or could be costly and time-consuming;
- cease developing, manufacturing and commercializing the infringing products, product candidates or technologies; or
- pay such third party significant monetary damages, if we are found to have willfully infringed a patent or other intellectual property right.

Some of our competitors may have substantially greater resources, and therefore are likely to be able to sustain the costs of complex intellectual property litigation longer than we could. In addition, the uncertainties associated with litigation could have a material adverse effect on our ability to raise the funds necessary to conduct our clinical trials, continue our internal research programs, in-license needed technology, or enter into strategic partnerships that would help us bring our drug candidates to market.

Claims that we or our employees have misappropriated the confidential information or trade secrets of third parties could have a material adverse effect on our business, financial condition, results of operations, and prospects. Certain of our employees were previously employed at medical institutions and pharmaceutical companies, including our competitors or potential competitors. Although we try to ensure that our employees do not use the proprietary information or know-how of others in their work for us, we may be subject to claims that we or our employees have used or disclosed intellectual property, including trade secrets or other proprietary information, of their former employers. Litigation may be necessary to defend against these claims, and even if we are successful in litigation or administrative proceedings, such litigation and proceedings may be costly and could result in a substantial diversion of management resources.

If we fail to comply with our obligations under our existing intellectual property licensing agreements or under any future intellectual property licenses, or otherwise experience disruptions to our business relationships with our current or future licensors, we could lose intellectual property rights that are important to our business.

We are party to a few in-licensing agreements pursuant to which we have been granted by third parties rights to, among other things, develop, manufacture and commercialize licensed pharmaceutical products in designated regions. Our current license agreements impose, and we expect that future licenses will continue to impose, specified royalty payments and other obligations on us. For more details on our in-licensing arrangements, see "Business—Collaboration and Licensing Arrangements—In-Licensing and Co-Development Arrangements."

In spite of our best efforts, current or any future licensors might conclude that we have materially breached our license agreements with them and might therefore terminate the license agreements, thereby impacting our ability to market and sell the relevant pharmaceutical products. If these in-licenses are terminated, or if the underlying intellectual property fails to provide the intended exclusivity, our competitors could market and sell the same products or products similar to our licensed products. This could adversely affect our results of operations and business prospects.

In addition, license agreements are complex, and certain provisions in such agreements may be susceptible to multiple interpretations. The resolution of any contract interpretation disagreement that may arise could narrow the expected scope of our rights to the relevant intellectual property or technology, or increase our expected financial or other obligations under the relevant agreement. If disputes arise over intellectual property or other matters under our license agreements or if we fail to maintain our current licensing arrangements on commercially acceptable terms, we may experience delays in the development and commercialization of licensed products, which could have an adverse effect on our business, financial condition, results of operations and prospects.

We depend on the supply of certain raw materials. Such supplies may not be available to us in acceptable quality or on commercially acceptable terms or at all, which could adversely affect our sales volume and margins for the relevant product.

Purchases of raw materials accounted for a significant portion of our total cost of sales during the Track Record Period. To efficiently manufacture our products, we must obtain sufficient quantities of high-quality raw materials at commercially acceptable prices and in a timely manner. During the Track Record Period, we primarily source APIs, intermediates, excipients and other raw materials from qualified suppliers. For details, see "Business—Manufacturing and Quality Management—Raw Materials." We typically do not enter into long-term supply agreements with raw material suppliers and as a result are vulnerable to supply shortages and fluctuations in market prices.

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 raw materials we need in adequate amount or on commercially reasonable terms, in a timely manner or at all. The availability and prices of these raw materials may be impacted for various reasons that are beyond our control. We might in the future encounter temporary difficulties in sourcing key raw materials as a result of health epidemics or outbreaks of contagious diseases as well as natural disasters, which could have a material impact on our business operations. For details, see "—An occurrence of a natural disaster, widespread health epidemic or other outbreaks could have a material adverse effect on our business, financial condition and results of operations." The availability and prices of these raw materials may also be impacted due to other reasons, such as regulatory actions or requirements affecting certain suppliers, adverse financial or other strategic developments experienced by certain suppliers, labor disputes or shortages, unexpected demands, or quality issues. Failure to obtain sufficient supply of these materials could delay the production and delivery schedules of the relevant products, thereby adversely affecting our ability to satisfy the market demand. In addition, a significant increase in the cost of supplies may directly and negatively affect our profitability, and we cannot assure you that we would be able to pass on any increase in raw material costs to our customers. Any potential interruption in our supply of raw materials or substantial fluctuation in market prices of raw materials could result in a decrease in our sales volume and profit margins, thereby adversely affecting our operation, financial condition and prospects.

We engage with third parties for certain aspects of our business. If these third parties fail to reliably, timely or cost-effectively provide us with their obligated services, our business could be adversely affected.

We rely on third parties, such as qualified medical institutions, contract research organizations ("CROs") and site management organizations ("SMOs"), in certain aspects of our business, including the design and conduct of clinical trials for our product candidates as well as commercialization of our products or product candidates in specific regions. Our business will be adversely affected if business or economic conditions or future developments in applicable laws and regulations negatively impact the operations of these third parties and, consequently, result in a reduction of their provision of services to us. If these third parties, whom we do not control, do not successfully fulfill their contractual duties or regulatory obligations or meet expected deadlines, or if our collaboration partners do not have the ability or the resources to successfully complete their objectives, or choose not to continue their relationship with us, our development and commercialization efforts could be delayed, suspended or terminated. In addition, if the quality or accuracy of the data we obtain from these third parties is compromised due to their failure to adhere to our clinical protocols or regulatory requirements or for other reasons, our clinical activities could be delayed and we may not be able to obtain regulatory approvals for our product candidates.

If we, our employees, affiliates or business partners engage, or are perceived to engage, in misconduct or other improper activities, including corrupt practices and non-compliance with regulatory standards and requirements, our business or reputation could be harmed and we could be exposed to regulatory investigations, costs and liabilities.

We are subject to risks in relation to improper actions taken by us, our employees, affiliates or business partners. Misconduct by these individuals and institutions could include intentional, reckless or negligent conduct that violates applicable laws and regulations, including on the reporting of true, complete and accurate information and data to regulatory authorities, data privacy and security, product quality and manufacturing standards. For example, we are subject to the anti-bribery and corruption laws of China, which 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. We are also subject to the FCPA, which generally prohibits us from making improper payments to non-U.S. officials for the purpose of obtaining or retaining business. As our business expands globally, our exposure to the FCPA and other anti-bribery and corruption laws to our operations is expected to increase. In addition, sales, marketing, and business arrangements in the pharmaceutical industry are subject to extensive laws and regulations intended to prevent fraud, misconduct, kickbacks, self-dealing and other abusive practices. Any allegations of such behavior against us, our employees, affiliates or our business partners or even the pharmaceutical industry in general could generate negative publicity and materially and adversely affect our reputation and business prospects.

We do not and cannot fully control the conduct of our employees, affiliates or business partners. Our employees, affiliates or business partners may conduct their sales and marketing or other activities in violation of the applicable anti-corruption, anti-fraud and other related laws. If our employees, affiliates or business partners engage in corrupt, fraud or other improper conduct that result in violation of these laws in the PRC or other jurisdictions, our reputation could be harmed. While we have implemented protocols against fraud, corruption and bribery, there can be no assurance that we have been and will be able to entirely prevent our employees, affiliates or business partners from engaging in such activities. We may be held liable for actions taken by our employees, affiliates or business partners, which could expose us to regulatory investigations and penalties. Whether or not we are successful in defending against such actions or investigations, we could incur substantial costs, including legal fees, reputational harm and divert the attention of management in defending ourselves against any of these claims or investigations.

Illegal and parallel imports and counterfeit pharmaceutical products could negatively affect our sales and damage our reputation and the brand names for relevant products.

The illegal import of similar or competing products from countries where government price controls or market dynamics result in lower prices may adversely affect the demand for our products and, in turn, may adversely affect our sales and profitability in China and other jurisdictions where we operate or plan to commercialize our product candidates. Unapproved foreign imports of prescription drugs are illegal under current laws of China as well as many

other countries. Notwithstanding this, illegal imports may continue to occur or even increase as the demand of patients and other customers for these lower-priced imports remains strong. Furthermore, cross-border imports from lower-priced markets (*i.e.*, parallel imports) into higher-priced markets could negatively impact sales of our products and exert pressure on our pricing within one or more markets. In addition, competent government authorities may expand consumers' ability to access lower priced substitutes of our 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 jurisdictions where we operate could have a material adverse effect on our business.

Certain pharmaceutical products distributed or sold in pharmaceutical markets in the PRC and overseas may be manufactured without proper licenses or approvals or fraudulently mislabeled with respect to their content, usage or manufacturers. These products are generally known as counterfeit pharmaceutical products. Regulatory control and law enforcement in the jurisdictions where we operate may be inadequate to discourage or eliminate the manufacturing and sale of counterfeit pharmaceutical products, including those 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 products. Moreover, counterfeit products may not have the same chemical composition as our products, which may make them less effective than our products, entirely ineffective or more likely to cause severe adverse side effects. This could expose us to negative publicity, reputational damage, fines and other administrative penalties, and may even result in litigation against us. The presence of counterfeit pharmaceutical products, products of inferior quality and other unqualified products from time to time may also reinforce the negative image of the pharmaceutical industry as a whole and may harm our reputation and brand name. Similarly, consumers may buy counterfeit products that are in direct competition with ours, which may materially and adversely affect the sales volumes of our products and adversely affect our business, financial condition, results of operations and prospects.

Negative publicity about our industry, us, or our management, employees, affiliates or business partners may adversely affect our brand, reputation and business prospects.

Our brand is important to attracting and retaining customers and collaborators, and our success depends on our ability to maintain and enhance our brand image and reputation. Maintaining, promoting and growing our brand depend largely on the success of our efforts to deliver high-quality products, our marketing efforts, and our ability to successfully secure, maintain, and defend our rights to use our brand and tradenames. Our brand could be harmed if we fail to achieve our objectives.

There can be no assurance that we will be able to maintain a positive reputation or brand name for all our products in the future. Our reputation and brand name may be adversely affected by a number of factors, many of which are beyond our control, including:

- negative publicity associated with our products, including with respect to their efficacy or side effects;
- the effects of counterfeit products purporting to be our products;
- improper or illegal conduct by our employees, affiliates and business partners, whether or not authorized by us;
- adverse publicity that is associated with us, our products or our industry, whether founded or unfounded; and
- lawsuits and regulatory investigations against us, our management, employees, affiliates or business partners or otherwise relating to our products or industry.

Our brand value also depends on our ability to maintain a positive customer perception of our corporate integrity, purpose and brand culture. Any negative publicity concerning the pharmaceutical industry, us, or our management, employees, affiliates or business partners, or any entity that we may authorize to use our brand name, even if untrue, could materially and adversely affect our brand, reputation, and business prospects. In addition, negative publicity about any entity that uses (whether with our authorization or not) our brand name could damage our brand image or business prospects.

In addition, social media are increasingly being used, by patients and industry players alike, to communicate about the diseases that our pharmaceutical products are designed to treat. Social media practices in the pharmaceutical industry continue to evolve and regulations relating to such use are not always clear. This evolution creates uncertainty and risk of non-compliance with regulations applicable to our business. For example, patients may use social media channels to comment on the effectiveness of a pharmaceutical product or report an alleged adverse event. 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 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.

We have engaged and may continue to pursue collaborations, licensing arrangements, joint ventures, strategic alliances, partnerships or other strategic investments or arrangements, which may fail to produce the anticipated benefits and adversely affect our operations.

We have engaged in, and may continue to pursue opportunities for, collaborations, licensing arrangements, joint ventures, strategic alliances partnerships or other strategic investment or arrangements that we believe would advance our business development. For details, see "Business—Collaboration and Licensing Arrangements." We may also consider pursuing growth through acquisitions of technology, assets or other businesses that may enable us to enhance our technologies and capabilities. Proposing, negotiating and implementing these opportunities may be a lengthy and complex process. Our competitors, including those with substantially greater financial, marketing, technology, or other business resources, may compete with us for these opportunities or arrangements. We may not be able to identify, secure, or complete any such transactions or arrangements in a timely manner, on acceptable terms, or at all.

To the extent that we are successful in entering into such commercial arrangements, the management and integration required in relation to a licensing arrangement, collaboration, joint venture or other strategic arrangements may disrupt our current operations, result in significant expenses, decrease our profitability, or divert management resources that otherwise would be available for our existing business. We may not realize the anticipated benefits of any or all of our collaborations, licensing arrangements, joint ventures, strategic alliances, partnerships or other strategic investment or arrangements in the time frame expected or at all. In addition, valuations supporting our acquisitions and strategic investments could change rapidly. Following any such transaction, there could be impairments of our investments or assets we acquired, which could materially and adversely affect our business, financial condition and operating results.

Moreover, partners, collaborators, or other parties to such transactions or arrangements may fail to fully perform their obligations or meet our expectations or cooperate with us satisfactorily for various reasons and subject us to potential risks, including that partners, collaborators, or other parties:

- may have significant discretion in determining the efforts and resources that they will apply to a transaction or arrangement;

- could independently develop, or develop with third parties, services and products that compete directly or indirectly with the product candidates developed under the collaboration with us;

- may stop, delay or discontinue clinical trials or repeat clinical trials or conduct new clinical trials by using our intellectual property or proprietary information;

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

- may have disputes with us that cause the delay or termination of the research, development, or commercialization of the product candidates developed under the collaboration with us, or result in costly litigation or arbitration that diverts management's attention and resources; and

- may own or jointly own the intellectual property pertaining to the product candidate(s) developed under the collaboration with us, and in such cases, deny us the exclusive right to commercialize such intellectual property.

Any such transactions or arrangements may also require actions, consents, approval, waiver, participation or involvement of various degrees from third parties, such as regulators, government authorities, creditors, licensors or licensees, related individuals, suppliers, distributors, shareholders, or other stakeholders or interested parties. There is no assurance that such third parties will be cooperative as we desire, or at all, in which case we may be unable to carry out the relevant transactions or arrangements.

Furthermore, with respect to the product candidates that are developed under licensing arrangements, our collaborators may have significant discretion in determining when to make announcements about the status of our collaborations, such as preclinical and clinical developments and timelines for advancing the collaborative programs. Such collaborators, and in particular, the privately-held collaborators, may wish to report such information more or less frequently than we intend to or may not wish to report such information at all. The price of our H Shares may decline as a result of the public announcement of unexpected results or adverse developments in our collaborations, or as a result of our collaborators withholding such information.

We may grow our business through acquisitions or investments in the future, and we may fail to identify suitable targets and complete planned acquisitions or investments or enhance post-acquisition performance to achieve our intended benefits.

To accelerate our business growth in the relatively fragmented pharmaceutical industry, we may pursue selective acquisitions or investments of suitable targets, such as pharmaceutical and biotechnology companies. From time to time, we may evaluate various acquisitions and strategic collaborations, including licensing or acquiring complementary products, intellectual property rights, technologies or businesses, as we may deem appropriate to carry out our business plan. However, our ability to successfully complete and realize the intended benefits of any acquisition or investment is subject to a number of risks and uncertainties, including:

- we may not be able to identify suitable acquisition or investment targets or have to engage in intense competition for attractive targets, which may make it difficult to consummate acquisitions or investments on commercially acceptable terms or at all;

- we may be subject to increased operating expenses and cash requirements and additional indebtedness or contingent liabilities;

- we may not have access to financing for acquisitions or investments on acceptable terms or at all; and

- increasingly intense competition for attractive acquisition or investment targets makes the consummation of such transactions on commercially acceptable terms more difficult.

In addition, the consummation of a proposed acquisition or investment is subject to governmental approvals. According to the Anti-Monopoly Law of the PRC (《中華人民共和國反壟斷法》) and the Provisions on Thresholds for Prior Notification of Concentrations of Undertakings (《關於經營者集中申報標準的規定》) issued by the State Council of the People's Republic of China (中華人民共和國國務院) ("State Council"), the concentration of business undertakings by way of mergers, acquisitions or contractual arrangements that allow one market player to take control of or exert decisive impact on another market player must also be notified in advance to the State Administration for Market Regulation (中華人民共和國國家市場監督管理總局) ("SAMR"), when a threshold is reached and the relevant transaction or arrangement may not be completed without the clearance of prior notification. We may also be subject to similar review and regulations in other jurisdictions, such as the laws and regulations on foreign investment in the U.S. under the jurisdiction of the Committee on Foreign Investment in the U.S., or CFIUS, and other agencies, including the Foreign Investment Risk Review Modernization Act.

Complying with the requirements of the above-mentioned regulations and other relevant rules to complete acquisition or investment transactions could be time-consuming, and any required approval or filing processes, including obtaining approval from or filing with CFIUS, the SAMR, the Ministry of Commerce of the PRC (中華人民共和國商務部) (the "MOFCOM"), the NDRC, the China Securities Regulatory Commission (the "CSRC") or other agencies may delay or hinder our ability to complete such transactions. Furthermore, government agencies may make further determinations that increase the scrutiny of our future acquisitions or investments, or prohibits such acquisitions or investments. We may fail to obtain or secure governmental approvals necessary to consummate any proposed acquisition or investments, which may materially and adversely affect our ability to expand our business or maintain or expand our market share and even result in liabilities, fines or penalties on us.

Even if we are able to consummate acquisitions or investments, our ability to successfully grow our business through such transactions remains subject to further risks and uncertainties, including:

- the acquired or invested businesses do not provide us with the intellectual property rights, technology, R&D capability, production capacity, or sales and marketing infrastructure we have anticipated;
- the acquired or invested businesses are subject to unforeseen liabilities;
- we may have to manage a larger, growing business, operating in new geographies and optimizing the allocation of resources and operational efficiency;
- we may fail to retain the management team or R&D professionals of the acquired or invested businesses; and
- the acquired or invested businesses do not generate the revenue and profitability we had anticipated.

Moreover, the process of seeking and consummating acquisitions or investments, whether or not they are successful, may divert our resources and management attention from our existing businesses.

If we suffer technological failures, security breach or other disruptions in our information and data management systems, it could adversely affect our ability to effectively manage our business operations.

In the ordinary course of our business, we receive, collect, store and transmit preclinical and clinical data, and other confidential and proprietary information, including that relating to our R&D and intellectual property. We also utilize external security and infrastructure vendors to maintain our information security management system. We face a number of risks relative to protecting our confidential information and data, including material system failure or security breach, loss of access and data, inappropriate use or disclosure, inappropriate modification, and the risk of inability to adequately monitor, audit, and modify our controls over our critical data and information. This risk extends to our vendors and sub-contractors we use to manage our sensitive data and our collaborators who share with us sensitive data.

The secure processing, storage, maintenance and transmission of our data and information are vital to our operations. Although we take measures to protect sensitive data from unauthorized access, use or disclosure, our information technology and infrastructure may be vulnerable to attacks by hackers or viruses or breached due to employee error, malfeasance, or other malicious or inadvertent disruptions. In addition, while we have implemented security measures and a formal, dedicated enterprise security program to prevent unauthorized access to confidential data, and there is no guarantee we can protect our data from breach.

Furthermore, failures of our information technology infrastructure may result in delays in our R&D efforts and disruptions to our operations, which may in turn materially and adversely affect our business, reputation, financial condition, results of operations and prospects.

We may be exposed to environmental liabilities or compliance costs that could materially and adversely affect our business and results of operations.

Our pharmaceutical manufacturing process involves the handling, production and use of substances and compounds that may be considered toxic or hazardous within the meaning of environmental laws. We are subject to PRC laws, rules and regulations concerning environmental protection, including the discharge of effluent water and solid waste as well as the disposal of hazardous substances during our manufacturing processes, as well as similar laws, rules and regulations in other jurisdictions where we operate or plan to operate our business. In addition, we are required to obtain clearances and authorizations from relevant PRC government authorities for the treatment and disposal of such discharge. The cost of complying with current and future environmental laws, rules and regulations and the liabilities, which may potentially arise from the discharge of effluent water and solid waste, as well as the disposal of hazardous substances, may increase our costs and have an adverse effect on our profitability. There can be no assurance that we will be able to comply fully at all times with applicable environmental laws, rules and regulations. Any violation of these laws, rules or regulations may result in substantial fines, criminal sanctions, revocations of operating permits, shutdown of our facilities and obligations to take corrective measures, among other things, which in turn may materially and adversely affect our business, financial condition and results of operations. We may face civil liability for any alleged personal injury or property damage due to exposure to compounds or other hazardous substances at our production facilities or compounds which we otherwise produce or handle. Such claims can be substantial and could in the future materially and adversely affect our business and results of operation, if it is not adequately covered by insurance.

Furthermore, the government authorities may take steps towards the adoption of more stringent environmental regulations. As a result of such regulatory developments, the amount and timing of future environmental expenditures may vary substantially from those currently anticipated. If there is any change in the environmental regulations, we may need to incur substantial capital expenditures to install, replace, upgrade or supplement our pollution control equipment, take additional protective and other measures against potential contamination or injury caused by hazardous materials, or make operational changes to limit any adverse impact or potential adverse impact on the environment. If these costs become prohibitively expensive, we may be forced to curtail or cease certain of our pharmaceutical manufacturing business. In addition, if we become subject to any significant environmental-related liabilities, it could adversely affect our financial condition and results of operations.

Economic sanctions, export controls, anti-corruption, anti-bribery, anti-money laundering and other relevant laws and regulations may expose us to potential compliance risks.

We are subject to economic sanctions, export controls, anti-corruption, anti-bribery, anti-money laundering and other relevant laws and regulations in the countries and regions where we have business operations. Any violation of these laws or regulations could result in governmental or regulatory investigations, civil or criminal fines or other sanctions, whistleblower complaints and adverse publicity, which could have an adverse effect on our reputation, business, operating results and prospects. In addition, responding to any enforcement action may result in a significant diversion of management's attention and significant defense costs and other professional fees.

The U.S., the United Kingdom and other jurisdictions or organizations, including the EU and the United Nations, have, through executive orders, passing of legislation or other governmental means, implemented measures that impose economic sanctions or export control restrictions on certain countries or jurisdictions, persons or organizations within these countries or jurisdictions, or targeted industry sectors, groups of companies, or persons. There can be no assurance that we will be able to prevent or detect all inadvertent business dealings with sanctioned parties or the dispatch of freight to higher-risk or prohibited end-uses. We cannot predict the interpretation or implementation of government policies in the U.S. at the federal, state or local levels or any policy of the United Kingdom, the European Union, the United Nations and other applicable jurisdictions with respect to any current or future activities by us or our business partners in countries subject to international sanctions or otherwise sanctioned, or our business activities subject to export control restrictions. As a result, we cannot assure you that our future business will be free of risk under sanctions or export control restrictions implemented in these jurisdictions or that we will conform our business to the expectations and requirements of the authorities of the U.S. or any other government or organization that, with or without jurisdiction over our business, assert the right to impose sanctions or export control restrictions on an extraterritorial basis. Our business and reputation could be adversely affected if the authorities of the U.S., the United Kingdom, the European Union, the United Nations or any other government or organization were to determine that any of our activities constitutes a violation of the sanctions or export control restrictions they impose or provide a basis for a sanctions designation of or other restrictions on us. In addition, as many sanction programs are constantly evolving, new requirements or restrictions could come into effect, which might increase scrutiny of our business or result in additional compliance risks.

If we become a party to litigation, arbitration, legal disputes, claims or administrative proceedings, it may divert our management's attention, result in costs and liabilities and damage our reputation.

We have been, and may from time to time become, involved in litigation, arbitration, legal disputes, claims or administrative proceedings arising in the ordinary course of business with our customers, suppliers, business partners, shareholders, joint venture partners, employees,

competitors, regulatory agencies, or other parties in respect of contractual, commercial, labor, intellectual property, or other matters. Such involvement can distract our management's attention and consume our time and other resources. Furthermore, any litigation, arbitration, legal disputes, claims or administrative proceedings which are initially not of material importance may escalate due to various factors, such as the facts and circumstances of the cases, the likelihood of winning or losing, the monetary amount at stake and the parties concerned, and such factors may result in these cases becoming of material importance to us.

Negative publicity arising from litigation, arbitration, legal disputes, claims or administrative proceedings may damage our reputation and adversely affect the image of our brands and products. In addition, if any verdict or award is rendered against us, we could be required to pay significant monetary damages, assume other liabilities, and suspend or terminate the related business ventures or projects. Consequently, our business, financial condition and results of operations may be materially and adversely affected.

Our business depends on our senior management members and other key personnel. If we fail to retain our key senior management members or to attract, retain and train qualified personnel, our business prospects could be adversely affected.

Our success depends heavily upon the continued services of our senior management members, key R&D personnel and key sales and marketing personnel. In particular, the industry experience, management expertise and contributions of our Directors and other members of our senior management are crucial to our success. They play a crucial role in the development and commercialization of our products and realization of the potential benefits of our intellectual property. In addition, success in the pharmaceutical distribution and pharmaceutical retail of our products depends on the dedication and skills of our sales and marketing personnel. Accordingly, our ability to attract and retain key personnel is a critical factor in our competitiveness.

Although we have employment agreements or offer letters with each of our senior management members, these agreements do not prevent our executives from terminating their employment with us at any time. We do not maintain any key person insurance. If we lose the services of any key personnel, we may be unable to recruit a suitable or qualified replacement and may incur additional expense to recruit and train new personnel, which could disrupt our business and growth. In addition, if any of our key personnel joins a competitor or forms a competing business, we may lose know-how, trade secrets and customers.

Furthermore, as we expect to continue expanding our operations and product portfolio, recruiting, retaining and training qualified R&D, manufacturing and quality management, and sales and marketing personnel will be critical to our success. We will need to continue attracting and retaining personnel with extensive experience and industrial knowledge. We may also need to hire, train and manage individuals with expertise that is separate, supplemental or different from expertise that we currently have. Competition for these individuals in the pharmaceutical industry is intense and could cause us to offer higher compensation and other benefits in order to attract and retain them, thereby increasing our operating costs and in turn,

materially and adversely affecting our financial condition and results of operations. If we are unable to attract, motivate, train and retain these key personnel required to achieve our business objectives, our business prospects could be adversely affected.

Our results of operations, financial condition and prospects may be adversely affected by fair value changes in our financial assets at fair value through profit or loss.

During the Track Record Period, we had certain financial assets at fair value through profit or loss, which mainly included our minority equity investments in unlisted companies at fair value and investments in wealth management products offered by licensed banks. As of December 31, 2022 and 2023 and September 30, 2024, our financial assets at fair value through profit or loss amounted to RMB3,500.2 million, RMB855.4 million, and RMB1,608.8 million, respectively. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value, with net changes in fair value recognized in profit or loss, and therefore directly affect our results of operations. In 2022, 2023, and the nine months ended September 30, 2024, we realized gain on financial assets at fair value through profit or loss of RMB230.9 million, RMB28.3 million, and RMB11.6 million, respectively.

For financial reporting purposes, fair value measurement of financial assets and liabilities at fair value through profit or loss is categorized into Level 1, 2 or 3, based on, among other things, the observability and significance of the inputs used in the valuation technique. The fair value of financial assets and liabilities classified in Levels 1 and 2 is determined based on observable inputs, while the determination of the fair value of Level 3 financial assets and liabilities is based on valuation techniques and various assumptions of inputs that are unobservable which inherently involve a certain degree of uncertainty. For details, see "Material Accounting Policies—Fair value measurement" in Note 2.3 to the Accountants' Report included in Appendix I to this document. Given the use of unobservable inputs, our financial assets at fair value are classified as Level 3 financial instruments subject to uncertainties in valuation. A range of factors, many of which are beyond our control, may influence and cause adverse changes to the estimates we use, thereby affecting the fair value of these assets and liabilities. These factors include general economic conditions, changes in market interest rates, and stability of the capital markets. Any of these factors could cause our estimates to vary from actual results and cause the fair value of our financial assets and liabilities to fluctuate substantially, which may in turn have a material adverse effect on our financial position and results of operations. Moreover, the value ultimately realized by us on disposal of these investments may be lower than their current fair value. Any of these factors could have an adverse impact on our results of operations and financial condition.

We have adopted share award schemes and may continue to grant share-based awards in the future, which may increase expenses associated with share-based payments and have an adverse effect on our share price and financial performance.

Historically, we have adopted certain share award schemes to recognize the contribution of certain eligible participants and to provide incentives to retain and attract quality personnel for the continued operation and development of our business. For more details on our historical

share award schemes, see "Appendix VI Statutory and General Information—D. A Share Employee Stock Ownership Schemes." In 2022, 2023 and the nine months ended September 30, 2024, our share-based payment expenses were RMB32.1 million, RMB166.7 million and RMB165.4 million, respectively, related to our share awards granted under the share award schemes.

We believe the granting of share-based awards is of significant importance to our ability to attract and retain key personnel and employees. As a result, we may continue to grant share-based compensation to employees in the future, which may further increase our expenses associated with share-based payments and adversely affect the market price of our Shares, and in turn materially and adversely affect our business, financial condition, and results of operations.

If our preferential tax treatments and government grants become unavailable or otherwise change or terminate, it could adversely affect our profitability.

Historically, we have benefited from a number of preferential tax treatments and tax allowances. During the Track Record Period, our Company and certain of our subsidiaries in the PRC were qualified as High and New Technology Enterprises, or HNTEs. Our subsidiaries qualified as HNTEs are eligible for a preferential income tax rate of 15%, compared to the 25% income tax rate generally applicable to PRC resident enterprises under the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法》) (the "EIT law"). In addition, during the Track Record Period, we also received additional deductible allowance for qualified R&D costs, which resulted in tax savings of RMB548.1 million, RMB601.2 million, and RMB564.5 million in 2022, 2023 and the nine months ended September 30, 2024, respectively.

The preferential tax treatments and tax allowances applicable to our Company and our subsidiaries may be changed, terminated, or otherwise become unavailable due to many factors, including changes in government policies or administrative decisions by relevant government authorities. Our post-tax profitability may be adversely affected as a result of one or more of these or other factors. For example, HNTE qualifications are subject to review by the relevant PRC tax authority every three years. There is no guarantee that we will be able to renew these qualifications. If we fail to do so, the affected subsidiaries will no longer enjoy the 15% preferential income tax rate, and will be subject to the 25% income tax rate, unless eligible for other preferential tax treatments.

Furthermore, we have historically received government grants in the form of subsidies received from the government. In 2022, 2023 and the nine months ended September 30, 2024, our government grants were recognized as other income, which amounted to RMB287.4 million, RMB498.5 million and RMB270.7 million, respectively.

There can be no assurance that we would continue to enjoy these preferential tax treatments and government grants at the historical levels, or at all. Any change, suspension or discontinuation of these preferential tax treatment and government grants to us could adversely affect our financial condition, results of operations and cash flows.

The implementation of our strategies and other aspects of our business will require significant funding. If we do not have access to sufficient funding on terms acceptable to us, or at all, it could adversely affect our business prospects.

The implementation of many aspects of our strategies will require significant funding, including:

- the expenses associated with expanding our sales and distribution network;
- the costs of drug development programs for the expansion of our portfolio in our key therapeutic areas, namely oncology, immunological and respiratory diseases, metabolic and cardiovascular diseases and neuroscience;
- the funding required to consummate acquisitions and integrate acquired businesses;
- the costs and expenditures required to grow our business internationally through drug development programs for overseas markets; and
- the capital expenditure required to increase our production capacity and to make upgrades and enhancements.

In addition, many aspects of our general business operations have ongoing funding requirements that may increase over time. Over the longer term, we expect that the implementation of our strategy and business plans may require us to rely in part on external financing sources. However, our ability to obtain external financing on commercially reasonable terms, or at all, will depend on a number of factors, many of which are outside of our control, including our financial condition, results of operations and cash flows, China's and global economic condition, industry and competitive conditions, interest rates, prevailing conditions in the credit markets and government policies on lending. If we cannot obtain sufficient funding on commercially acceptable terms, or at all, to implement our strategies and business plans as currently contemplated, we could be required to revise our strategies and business plans, which could adversely affect our business prospects.

We may seek additional funding through a combination of equity and debt financings. To the extent that we raise additional capital through the issuance of equity or convertible debt securities, the beneficial ownership interest of existing Shareholders could be diluted, and the terms may include liquidation or other preferences that adversely affect the rights of our existing Shareholders. The incurrence of additional indebtedness or the issuance of certain equity securities could result in increased fixed payment obligations and could also result in certain additional restrictive covenants, such as incurring additional debt, making capital expenditures, or declaring dividends.

Our insurance coverage is limited. If we experience uninsured losses, it could adversely affect our financial condition and results of operations.

Our insurance coverage is limited, and we do not carry insurance in respect of certain risks that we believe are not insured under customary industry practice in mainland China. For details of our insurance coverage, see "Business—Insurance." We are not required under PRC laws and regulations to, and we do not, purchase any business interruption insurance, employer's liability insurance or key person insurance, and we have limited product liability insurance.

If we experience disruptions to our business, we might incur substantial costs and diversion of resources, which may not be fully covered by insurance. We maintain limited product liability insurance, which may not fully cover all product liability claims we may face in our operations. For a discussion of the potential impact of product liability on us, see "—We are subject to product liability claims against us, which could expose us to substantial costs and liabilities and adversely affect our operations, profitability and reputation." In addition, there are certain types of losses, such as losses from war, acts of terrorism, epidemics, public security hazards, earthquakes, typhoons, flooding and other natural disasters, for which we cannot obtain insurance at a reasonable cost or at all. Should an uninsured loss or a loss in excess of insured limits occur, we could suffer financial losses, lose all or a portion of our production capacity, as well as future revenue anticipated to be derived from the manufacturing activities conducted at that property. If we experience uninsured losses or losses in excess of our insurance coverage, it could adversely affect our financial condition and results of operations.

If our internal risk management and control system is not adequate or effective, and if it fails to detect potential risks in our business as intended, our business, financial condition and results of operations could be materially and adversely affected.

As of the Latest Practicable Date, we had a risk management and internal control system in place to monitor and control potential risk areas relevant to our business operations. In connection with the [**REDACTED**], we have examined our risk management and internal control system and made certain enhancements where appropriate. However, due to the inherent limitations in the design and implementation of our risk management and internal control system, it may not be sufficiently effective in identifying, managing and preventing all risks if external circumstances change substantially or extraordinary events take place.

Further, integration of various business operations from potential future acquisitions may give rise to additional internal control risks that are currently unknown to us, despite our efforts to anticipate such issues. If our risk management and internal control system fails to detect potential risks in our business as intended, or is otherwise exposed to weaknesses and deficiencies, our business, financial condition and results of operations could be materially and adversely affected.

Our risk management and internal controls also depend on effective implementation by our employees. There can be no assurance that such implementation by our employees will always function as intended, or such implementation will not be subject to human errors, mistakes or intentional misconduct. If we fail to implement our policies and procedures in a timely manner, or fail to identify risks that affect our business with sufficient time to plan for contingencies for such events, our business, financial condition and results of operations could be materially and adversely affected.

An occurrence of a natural disaster, widespread health epidemic or other outbreaks could have a material adverse effect on our business, financial condition and results of operations.

Our business could be materially and adversely affected by natural disasters, such as snowstorms, earthquakes, fires or floods, the outbreak of a widespread health epidemic, such as swine flu, avian influenza, Ebola, and Zika, or other events, including wars, acts of terrorism, environmental accidents, power shortage or communication interruptions. The occurrence of a disaster or a prolonged outbreak of an epidemic illness or other adverse public health developments in China or elsewhere in the world could materially disrupt our business and operations.

These events could also significantly impact our industry and cause a temporary suspension or closure of the facilities we use for our R&D, manufacturing and operations, which would severely disrupt our product development and manufacturing process and overall business operations and have a material adverse effect on our business, financial condition and results of operations. Our operations could also be disrupted if any of our employees or employees of our distributors or other business partners were suspected of contracting or contracted an epidemic disease, since this could require us, our distributors or other business partners to quarantine some or all of these employees and disinfect facilities used for operations. In addition, the commencement of new clinical trials for product candidates in our development pipeline could also be delayed or prevented by any delay or failure in subject recruitment or enrollment. Our commercialization plan for commercial-ready or near commercial-ready product candidates could also be disrupted. If we are not able to effectively and efficiently develop and commercialize our product candidates as planned, we may not be able to grow our business and generate revenue from sales of our product candidates as anticipated, our business operations, financial condition and prospects may subsequently be materially and adversely affected. Furthermore, our revenue and profitability could be materially reduced to the extent that a natural disaster, health epidemic or other outbreak harms the PRC and global economy in general.

RISKS RELATED TO DOING BUSINESS IN THE JURISDICTIONS WHERE WE OPERATE

We are required to complete filing procedures with the CSRC for the [REDACTED] and the [REDACTED] of our H Shares on the Hong Kong Stock Exchange, and we may be subject to additional regulatory requirements under new laws and regulations on overseas securities [REDACTED] and [REDACTED] issued by the PRC government authorities for our future [REDACTED].

On July 6, 2021, the General Office of the State Council together with another authority jointly promulgated the Opinion on Severely Punishing Illegal Activities in Securities Market (《關於依法從嚴打擊證券違法活動的意見》), which calls for the enhanced administration and supervision of overseas-listed PRC-based companies, proposes to revise the relevant regulation governing the overseas issuance and listing of shares by such companies and clarifies the responsibilities of competent domestic industry regulators and government authorities.

On February 17, 2023, the CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "Overseas Listing Trial Measures") and five supporting guidelines, which took effect on March 31, 2023. According to the Overseas Listing Trial Measures, we, as a PRC domestic company seeking to [**REDACTED**] and [**REDACTED**] securities in overseas markets, are required to file with the CSRC within three working days after submitting the [**REDACTED**] documents to the overseas supervisory authorities. In addition, pursuant to the Overseas Listing Trial Measures, issuers are also required to submit subsequent reports to the CSRC on relevant information or material events, such as change of control or voluntary or forced delisting of the issuers who have completed overseas [**REDACTED**] and [**REDACTED**].

Given that the Overseas Listing Trial Measures are relatively new, their interpretation, application, and enforcement are still evolving and we are closely monitoring how they will affect our operations and our future financing. In addition, we cannot assure you that we will be able to complete all filing or report requirements in time or at all. Any failure to complete or delay in completing such filing or reporting procedures for our financing activities could subject us to sanctions by the CSRC or other PRC regulatory authorities. These regulatory authorities may impose fines and penalties on us, limit our ability to pay dividends outside of the PRC, limit our operating activities in the PRC, delay or restrict the repatriation of the [**REDACTED**] from the [**REDACTED**] or future capital raising activities into the PRC, or take other actions that could materially and adversely affect our business, financial condition, results of operations, and prospects, as well as the [**REDACTED**] of our H Shares.

Changes in the economic, political and other policies of the jurisdictions where we operate could have a material adverse effect on our business, financial condition and results of operations.

A substantial portion of our assets and operations are located in the PRC, and we also operate our business in several other jurisdictions. As a result, our business, financial condition, results of operations and prospects are substantially affected by political, economic and legal developments both in the PRC and overseas markets where we operate. Economic growth in these markets has been uneven, varying both geographically and across different sectors within the economies.

Government authorities in China and other jurisdictions implement various measures to encourage economic growth. These measures may include differential policies towards specific groups of pharmaceutical companies, such as the promotion of traditional medicines or investments in competing pharmaceutical companies, which may have an adverse effect on us. In addition, the overall economic growth in jurisdictions where we operate is influenced by government regulations and policies related to capital investments, monetary policies, regulation of financial services and institutions, preferential treatment to particular industries or companies. Any changes in these regulations and policies could affect the business environment in the jurisdictions where we operate changes, thus impacting our business and its growth prospects.

Furthermore, any economic downturn could create an uncertain economic outlook in markets where we currently operate or may operate in the future, which may adversely affect our business, financial condition and results of operations. Changes in the political environment could also increase our costs, heighten our exposure to legal and business risks, disrupt our operations and affect our results of operations.

We are subject to laws and regulations in jurisdictions where we operate, and any failure to respond to future changes in the regulatory environment in these jurisdictions could have an adverse effect on our business, results of operations and financial condition.

We are subject to various laws and regulations in jurisdictions where we operate. For example, in China, we are required to contribute to statutory employee benefit schemes. According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) and the Regulations on the Administration of Housing Provident Funds (《住房公積金管理條例》), an employer is required to open its social insurance registration account and housing provident funds account and pay social insurance and housing provident funds for its employees. During the Track Record Period, some of our subsidiaries in the PRC engaged a third-party human resources agency to make social insurance and housing provident fund contributions for their employees, in full amount as required by the relevant PRC laws and regulations. During the Track Record Period and up to the Latest Practicable Date, none of these subsidiaries had received any administrative penalty regarding the payment of contributions through a third-party human resources agency. Our relevant subsidiaries may be subject to penalties imposed by the local social insurance authorities or the local housing provident fund management centers for failing to make social insurance and housing provident fund contributions for the employees in the employer's own name.

In addition, we are subject to evolving laws and regulations governing the pharmaceutical industry in China and other markets where we operate. Laws and regulations that are recently enacted in our industry may not comprehensively cover all aspects of economic activities within pharmaceutical markets. In particular, the interpretation and enforcement of these laws and regulations may be subject to future implementations. We cannot predict the effect of future legislative developments in the PRC and other jurisdictions on the pharmaceutical industry, including the enactment of new laws, amendments to existing laws or the interpretation or enforcement thereof, or the preemption of local regulations by national laws.

Changes to laws and regulations applicable to our industry could lead to new and unexpected challenges. The history of prior enforcement activity, or lack of enforcement activity, cannot be predictive of future enforcement actions. Therefore, our business operations are subject to increased uncertainties and risks. Any enforcement actions against us could have a material adverse effect on us. Any litigation or governmental investigation or enforcement proceedings may be protracted and may result in substantial cost, diversion of resources and management attention, negative publicity, and damage to reputation. As a result, our business, results of operations and financial condition may be adversely affected.

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

We have access to and handle certain personal data in our business operations, and we need to comply with relevant data privacy and protection laws and regulations that apply to our data activities in the jurisdictions where we operate and conduct our clinical trials. For details, see "Business—Data Privacy and Protection."

In recent years, privacy and data protection has become an increasing regulatory focus of government authorities across the world. Particularly in China, where we operate substantially all our businesses, the PRC government has enacted a series of laws and regulations in respect of information security, data collection, privacy and protection, including the Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》), the Provisions on Protection of Personal Information of Telecommunication and Internet Users (《電信和互聯網用戶個人信息保護規定》), the Cybersecurity Review Measures (《網絡安全審查辦法》), the Data Security Law of the PRC (《中華人民共和國數據安全法》), the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》), and the Measures for the Security Assessment of Data Export (《數據出境安全評估辦法》).

Under the Personal Information Protection Law of the PRC, in case of any personal information processing, such individual's prior consent are required to be obtained, unless other legal bases are satisfied. Further, any data processing activities that are in relation to the sensitive personal information, including biometrics, medical health and personal information of teenagers under 14 years old, are not allowed, unless such activities have a specific purpose and are highly necessary and unless strictly protective measures have been taken and separate consent has been obtained from the individuals involved. In addition, certain industry-specific laws and regulations affect the collection and transfer of data in China. The Regulations on the Administration of Human Genetic Resources of the PRC (《中華人民共和國人類遺傳資源管理條例》), or the HGR Regulation, was promulgated by the State Council in May 2019, which was last amended and became effective from May 1, 2024. For details, see "—We are subject to restrictions on transferring our scientific data abroad or using human genetic resources collected in China. Any violation of laws and regulations with respect to the management of scientific data and human genetic resources could subject us to administrative penalties and adversely affect our business operations." In October 2020, the Standing Committee of the

National People's Congress (the "SCNPC") promulgated the Biosecurity Law of the PRC (《中華人民共和國生物安全法》), which was last amended and became effective from April 26, 2024. The Biosecurity Law of the PRC reaffirms the regulatory requirements stipulated by the HGR Regulation while potentially increasing the administrative sanctions where China's human genetic resources are collected, preserved, exported or used in international cooperation in violation of applicable laws. In addition, the Implementation Rules for the Regulations on the Administration of Human Genetic Resources (《人類遺傳資源管理條例實施細則》), or the HGR Regulation Implementation Rules, was promulgated in May 2023 and came into effect on July 1, 2023, which provide further detailed implementation regulations for the administration of human genetic resources in the PRC. Although we have made great efforts to comply with mandatory requirements of laws and government authorities in this regard, we cannot assure you that we will be deemed at all times in full compliance with the HGR Regulation, the HGR Regulation Implementation Rules, the Biosecurity Law of the PRC and other applicable laws in our utilizing of and dealing with China's human genetic resources. As a result, we may be exposed to compliance risks under the HGR Regulation and the Biosecurity Law of the PRC. For details of the HGR Regulation and the Biosecurity Law of the PRC, see "Regulatory Overview—Overview of Laws and Regulations in the PRC—Laws and Regulations in Relation to New Drugs—Gathering, Collection and Filing of Human Genetic Resources."

Numerous U.S. federal and state laws and regulations relate to the privacy and security of personal information. In particular, regulations promulgated pursuant to the Health Insurance Portability and Accountability Act of 1996, or HIPAA, establish privacy and security standards that limit the use and disclosure of individually identifiable health information, known as "protected health information," and require the implementation of administrative, physical and technological safeguards to protect the privacy of protected health information and ensure the confidentiality, integrity and availability of electronic protected health information. Determining whether protected health information has been handled in compliance with applicable privacy standards and our contractual obligations may require complex factual and statistical analyses and may be subject to changing interpretation. Although we take measures to protect sensitive data from unauthorized access, use or disclosure, our information technology and infrastructure may be vulnerable to attacks by hackers or viruses or breached due to employee error, malfeasance or other malicious or inadvertent disruptions. Any such breach or interruption could compromise our networks and the information stored there could be accessed by unauthorized parties, manipulated, publicly disclosed, lost or stolen. Any such access, breach or other loss of information could result in legal claims or proceedings, and liability under federal or state laws that protect the privacy of personal information, such as the HIPAA, the Health Information Technology for Economic and Clinical Health Act, and regulatory penalties. Notice of breaches must be made to affected individuals, the Secretary of the Department of Health and Human Services, and for extensive breaches, notice may need to be made to the media or State Attorneys General. Such a notice could harm our reputation and our ability to compete.

Complying with all applicable laws, regulations, standards and obligations relating to data privacy, security, and transfers may cause us to incur substantial operational costs or require us to modify our data processing practices and processes. Non-compliance could result

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

We are subject to restrictions on transferring our scientific data abroad or using human genetic resources collected in China. Any violation of laws and regulations with respect to the management of scientific data and human genetic resources could subject us to administrative penalties and adversely affect our business operations.

On March 17, 2018, the General Office of the State Council promulgated the Measures for the Management of Scientific Data (《科學數據管理辦法》), or the Scientific Data Measures, which provide a broad definition of scientific data and relevant rules for the management of scientific data. According to the Scientific Data Measures, enterprises in China must seek governmental approval before any scientific data involving a state secret may be transferred abroad or to foreign parties. Further, any researcher conducting research funded at least in part by the Chinese government is required to submit relevant scientific data for management by the entity to which such researcher is affiliated before such data may be published in any foreign academic journal. To the extent our R&D of drug candidates are subject to the Scientific Data Measures and any subsequent laws as required by the relevant government authorities, if we are unable to obtain necessary approvals in a timely manner, or at all, our R&D of drug candidates may be hindered, which may materially and adversely affect our business, operations, financial conditions and prospects. If the relevant government authorities consider the transmission of our scientific data to be in violation of the requirements under the Scientific Data Measures, we may be subject to fines and other administrative penalties imposed by those government authorities.

On July 7, 2022, the Cyberspace Administration of China published the Measures for Security Assessment of Data Export (《數據出境安全評估辦法》), which took effect on September 1, 2022. It specifies the circumstances in which data processors exporting data are required to apply for outbound data transfer security assessment with the Cyberspace Administration of China, including the outbound data transfer of important data. On March 22, 2024, the Cyberspace Administration of China issued the Provisions on Facilitating and Regulating Cross-border Data Flows (《促進和規範數據跨境流動規定》). It provides that a data handler that is not a critical information infrastructure operator will be exempted from declaring for security assessment for outbound data transfer, signing a standard contract with overseas recipient, or passing the personal protection certification, if such data handler accumulatively transfers overseas personal information (excluding sensitive personal information) of less than 100,000 individuals since January 1 of the relevant year.

Cross-border data transfer across different jurisdictions may also be limited if we fail to comply with relevant requirements, such as obtaining authorization from subjects regarding the use, transfer and retrieval of their personal information or data and adopting measures to ensure the safety of personal information or data in the transfer. Also, cross-border transfer of personal data by its nature is subject to general data privacy regulations in various jurisdictions, and thus any failure to comply with data privacy protection may lead to a restriction of transferring our data across different jurisdictions.

In addition, on July 2, 2015, the Ministry of Science and Technology (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》) (the "Service Guide"), which became effective on July 2, 2015 and was updated on July 14, 2023. According to the Service Guide, the sampling, collecting, trading, or exporting activities of human genetic resources through clinical trials should be filed with the China Human Genetic Resources Management Office through the online system. Subsequently, on May 28, 2019, the State Council promulgated the HGR Regulation, which was most recently amended and became effective from May 1, 2024. The HGR Regulation stipulates that collecting human genetic resources of China's important genetic families and specific regions collecting those human genetic resources in such categories and quantities as prescribed by the National Health Commission of the PRC, preserving China's human genetic resources and providing a basic platform for scientific research, utilization of China's human genetic resources for international cooperation in scientific research, as well as transporting China's materials of human genetic resources abroad are subject to the approval of the National Health Commission of the PRC. In addition, the HGR Regulation Implementation Rules, effective from July 2023, stipulate that (i) under certain circumstances where China's human genetic resources are used to carry out international cooperative clinical trials, the types, quantities, and purposes of the resources must be filed with the MOST, (ii) unless a prior license is obtained, any Chinese information owner who intends to provide or make available human genetic resource information to overseas organizations, individuals, or entities they control must report in advance to the MOST and submit a record of the information, and (iii) providing human genetic resources to overseas organizations, individuals, or entities they control that could impact public health, national security, or public interests in China must undergo a security review organized by the MOST. If we are unable to obtain necessary approvals or comply with the regulatory requirements in a timely manner, or at all, our R&D of drug candidates may be hindered. If the relevant government authorities consider the transmission of our scientific data or collection and usage of human genetic resources to be in violation of the requirements under applicable PRC laws and regulations, we may be subject to fines and other administrative penalties imposed by those government authorities.

Laws and regulations over foreign currency conversion and on the remittance of funds into and out of the PRC may affect our utilization of our revenue and our ability to remit dividends.

Laws and regulations over foreign currency conversion and on the remittance of funds into and out of the PRC may affect our utilization of our revenue and our ability to remit dividends. The PRC government imposes laws and regulations on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of funds into and out of the PRC. Under the existing PRC foreign exchange regulations, foreign exchange transactions under the current account conducted by us, including the payment of dividends, can be made in foreign currencies without prior approval of the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局) ("SAFE") by complying with certain procedural requirements and conduct such transactions at designated foreign exchange banks within the PRC that have the licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account, however, normally need to be approved by or registered with the SAFE or its local branch unless otherwise permitted by law. Any insufficiency of foreign exchange may restrict our ability to satisfy our foreign currency demands, and we may not be able to pay dividends in foreign currencies to the holders of our H Shares.

Fluctuations in exchange rates could result in foreign currency exchange losses and could materially and adversely affect our financial performance.

We generate part of our revenue from foreign jurisdictions and, consequently, are exposed to risks associated with foreign currency exchange fluctuations. Changes in the value of foreign currencies could increase our RMB costs for, or reduce our RMB revenues from, our foreign operations. Therefore, any fluctuations in the value of foreign currencies against RMB could materially and adversely affect our results of operations. In addition, the fluctuation of foreign exchange rates affects the value of our monetary and other assets and liabilities denominated in foreign currencies. In 2022, 2023 and the nine months ended September 30, 2023, we recorded net foreign exchange gains of RMB93.2 million, RMB7.9 million and RMB25.9 million, respectively, and net foreign exchange losses of RMB39.0 million in the nine months ended September 30, 2024. However, we cannot guarantee that future foreign exchange rate fluctuations will be favorable, and any adverse change would not have a material adverse impact on our financial condition and results of operations.

In addition, we may need to obtain foreign currency to make payments of declared dividends, if any, on our H Shares. Our [**REDACTED**] from the [**REDACTED**] will be denominated in Hong Kong dollars. The value of Renminbi against the Hong Kong dollar, the U.S. dollar and other currencies is based on rates set by the People's Bank of China (the "PBOC"), which is affected by, among other things, changes in global and geographical political and economic conditions, foreign exchange policy adopted by the PRC government, supply and demand in the monetary markets, and economic and political developments domestically and internationally. It is difficult for us to predict how external factors in respect of markets or policies may impact the exchange rate between the Renminbi and the Hong Kong dollar, the U.S. dollar or other currencies in the future. As a result, any appreciation of the

Renminbi against the Hong Kong dollar may result in a decrease in the value of our [**REDACTED**] from the [**REDACTED**]. In addition, the value of Renminbi is subject to regulation by the PBOC in the foreign exchange market to limit fluctuations in Renminbi exchange rates. Conversely, any depreciation of the Renminbi may adversely affect the value of, and any dividends payable on, our H Shares in a foreign currency. There are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. All of these global and geographical political and economic factors may adversely affect the value of and any dividends payable on, our H Shares in Hong Kong dollars.

Dividends received by foreign holders of our H Shares and gains derived from the disposition of our H Shares by such holders may be subject to PRC taxation.

Under applicable PRC tax laws, regulations and statutory documents, non-PRC resident individuals and enterprises are subject to taxes with respect to dividends received from us or gains realized upon the sale or other disposition of our H Shares.

Non-PRC resident enterprises that do not have establishments or premises in the PRC, or that have establishments or premises in the PRC but their income is not effectively connected to such establishments or premises, are subject to the enterprise income tax of the PRC at the rate of 10% on dividends received from PRC companies and gains realized upon disposition of equity interests in the PRC companies pursuant to the EIT Law and other applicable PRC tax regulations and statutory documents, unless a treaty or similar arrangement provides otherwise. Taxes may be reduced or eliminated under special arrangements or applicable treaties between the PRC and the jurisdiction where the non-resident enterprise resides.

Under the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》) and its implementation rules, non-PRC resident individuals are generally subject to PRC individual income tax with respect to PRC-sourced income or gains at a rate of 20% unless specifically exempted by the tax authority of the State Council or reduced or eliminated by an applicable tax treaty. We are required to withhold related tax from dividend payments.

Pursuant to the Circular on Questions Concerning the Collection of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 045 (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) (Guo Shui Han [2011] No. 348) (國稅函[2011]348號) dated June 28, 2011, issued by the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局) (the "SAT" or the "State Administration of Taxation"), domestic non-foreign-invested enterprises issuing shares in Hong Kong may generally, when distributing dividends, withhold individual income tax at the rate of 10%. However, withholding tax on distributions paid by us to non-PRC resident individual holders of H Shares whose name appear on the register of member of H Shares may be imposed at other rates pursuant to applicable tax treaties (and up to 20% if no tax treaty is applicable) if we know the identity of the individual shareholder and the tax rate applicable thereto.

Pursuant to applicable regulations, we intend to withhold tax at a rate of 10% from dividends paid to non-PRC resident enterprise holders of our H Shares (including [**REDACTED**]). Non-PRC resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of such refund will be subject to verification by PRC tax authorities.

Pursuant to the Circular Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得税的通知》) issued by the Ministry of Finance of the PRC (中華人民共和國財政部) (the "MOF" or "Ministry of Finance") and the SAT on March 30, 1998, gains of individuals derived from the transfer of listed shares of enterprises may be exempt from individual income tax. In addition, on December 31, 2009, the MOF, the SAT and the CSRC jointly issued the Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得税有關問題的通知》) (Cai Shui [2009] No. 167) which states that individuals' income from the transfer of listed shares on certain domestic exchanges shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restrictions as defined in the Supplementary Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of the Listed Shares Subject to Sales Limitations (《關於個人轉讓上市公司限售股所得徵收個人所得税有關問題的補充通知》) (Cai Shui [2010] No. 70). As of the Latest Practicable Date, the aforesaid provision has not expressly provided that individual income tax shall be collected from non-PRC resident individuals on the sale of shares of PRC resident enterprises [**REDACTED**] on [**REDACTED**].

If PRC income tax is imposed on gains realized from the transfer of our H Shares or on dividends paid to our non-PRC resident individuals, the value of your [**REDACTED**] in our H Shares may be affected. Furthermore, our Shareholders whose jurisdictions of residence have tax treaties or arrangements with PRC may not qualify for benefits under such tax treaties or arrangements.

You may have limited resources in effecting service of legal process, enforcing foreign judgments or bringing original actions in the PRC against us or our Directors, Supervisors or senior management members named in this document based on Hong Kong or other foreign laws.

Substantially all of our business operations are conducted in the PRC. In addition, a substantial majority of our Directors, Supervisors and senior management members reside in the PRC. Therefore, it may be difficult for [**REDACTED**] to effect service of process upon those persons residing in the PRC or to enforce against us or them in PRC any judgments obtained from non-PRC courts. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts of most other jurisdictions. As a result, recognition and enforcement in the PRC of judgments of a court in any of these jurisdictions outside China may be difficult or even impossible.

On July 14, 2006, the Supreme People's Court of the PRC and the Government of the Hong Kong Special Administrative Region signed an Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters (《最高人民法院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, a party with an enforceable final court judgment rendered by any designated people's court of China or any designated Hong Kong court requiring payment of money in a civil and commercial case according to a written choice of court agreement, may apply for recognition and enforcement of the judgment in the relevant people's court of China or Hong Kong court. A written choice of court agreement 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 designated 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 the dispute did not agree to enter into a choice of court agreement in writing. In addition, the Arrangement has expressly provided for "enforceable final judgment," "specific legal relationship" and "written form." As a result, it may be difficult or impossible for [**REDACTED**] to effect service of process against certain of our assets, Directors, Supervisors, or senior management members in the PRC in order to seek recognition and enforcement of foreign judgments in the PRC.

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 will broaden the scope of judgments that may be enforced between China and Hong Kong under the Arrangement. Whereas a choice of jurisdiction needs to be agreed in writing in the form of an agreement between the parties for the selected jurisdiction to have exclusive jurisdiction over a matter under the Arrangement, the New Arrangement provides that the court where the judgment was sought could apply jurisdiction in accordance with the certain rules without the parties' agreement. The New Arrangement will replace the Arrangement when the former becomes effective. The New Arrangement became effective on January 29, 2024 both in China and in Hong Kong. However, the Arrangement remains applicable to a written choice of court agreement within the meaning of the Arrangement that was made before the effective date of the New Arrangement. Under the New Arrangement, any party concerned may apply to the relevant PRC court or Hong Kong court for recognition and enforcement of the effective judgments in civil and commercial cases subject to the conditions set forth in the New Arrangement. Although the New Arrangement has been signed, 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.

We are subject to risks relating to some of the properties we use.

We are required under applicable PRC laws and regulations to obtain various permits, certificates, and approvals from relevant government authorities for the properties that we own and use in China. Our rights to certain of our properties may be limited or challenged by relevant government authorities, including due to any failure to complete the as-built

acceptance filings for certain major properties (including 10 properties used for our production or R&D activities and three properties for other purposes) and our use of a property inconsistent with the land's designated use. We may also be penalized by relevant government authorities for some of these issues. We use a property located on a parcel of allocated land. We have obtained the right to use this land based on a land use contract that we entered into with a state-owned enterprise in 2005. We have performed, and expect to continue to perform, our obligations under the land use right contract, including payment of land use fees and land administration fees to the state-owned enterprise. Separately, we have used one of our leased properties as our office premises inconsistent with the land's specified use, which could affect our ability to continue our use of the property. For more details, see "Business—Land and Properties." If we were required to relocate our production or other operations, we cannot assure you that we can do so in a timely manner, or at all, and we may incur relocation costs and suffer disruption to our business operations. As a result, our business, results of operations and financial condition may be adversely affected.

In addition, under PRC laws and regulations, lease agreements in general are required to be registered with local land authorities. As of the Latest Practicable Date, we had not completed such registration for 57 of the lease agreements for the leased properties that we held as of September 30, 2024. Although failure to do so does not in itself invalidate the leases, we may be subject to fines if we fail to rectify such non-compliance within the prescribed timeframe after receiving notice from the relevant PRC government authorities. The penalty ranges from RMB1,000 to RMB10,000 for each unregistered lease, at the discretion of the relevant authority. If any fine is imposed on us for our failure to register our lease agreements, we may not be able to recover such losses from the lessors.

RISKS RELATED TO THE [REDACTED]

We will be concurrently subject to [REDACTED] and regulatory requirements of the PRC and Hong Kong.

As we are listed on the Shanghai Stock Exchange and will be [**REDACTED**] on the [**REDACTED**], we will be required to comply with the [**REDACTED**] rules (where applicable) and other regulatory regimes of both jurisdictions, unless an exemption is available. Accordingly, we may incur additional costs and resources in continuously complying with all applicable [**REDACTED**] rules and other regulatory regimes in the two jurisdictions.

Our A Shares are listed on the Shanghai Stock Exchange. The characteristics of the A Share and H Share markets may differ.

Our A Shares are listed and traded on the Shanghai Stock Exchange. Following the [**REDACTED**], our A Shares will continue to be traded on the Shanghai Stock Exchange and our H Shares will be [**REDACTED**] on The Stock Exchange of Hong Kong Limited (the "Stock Exchange" or "Hong Kong Stock Exchange"). Under the current PRC laws and regulations, our H Shares and A Shares are neither interchangeable nor fungible, and there is no [**REDACTED**] or settlement between the H Share and A Share markets. The H Share and

A Share markets have different trading characteristics, each have different trading volumes, liquidity and investor bases, as well as different levels of retail and institutional investor participation. As a result, the [**REDACTED**] performance of our H Shares and A Shares may not be comparable, and the historical prices of our A Shares may not be indicative of the [**REDACTED**] of our H Shares. Nonetheless, fluctuations in the price of our A Shares may adversely affect the [**REDACTED**] of our H Shares, vice versa. Therefore, you should not place undue reliance on the trading history of our A Shares when evaluating the [**REDACTED**] decision in our H Shares.

There has been no prior [REDACTED] for our H Shares, and their liquidity and market price maybe volatile, which could lead to substantial losses to [REDACTED].

Prior to the completion of the [**REDACTED**], there has been no [**REDACTED**] for our H Shares. We cannot assure you that a [**REDACTED**] for our H Shares with adequate liquidity and trading volume will develop and be sustained following the completion of the [**REDACTED**]. The [**REDACTED**] for our H Shares to the [**REDACTED**] will be the result of negotiations between us and the [**REDACTED**] (for themselves and on behalf of the [**REDACTED**]), and the [**REDACTED**] may differ significantly from the [**REDACTED**] of our H Shares following the completion of the [**REDACTED**]. We have applied to the Stock Exchange for the [**REDACTED**] of, and permission [**REDACTED**] in, the H Shares. A [**REDACTED**] on the Stock Exchange, however, does not guarantee that an active and liquid trading market for our H Shares will develop, or if it does develop, that it will be sustained following the [**REDACTED**], or that the [**REDACTED**] of our H Shares will not decline following the [**REDACTED**].

Furthermore, the [**REDACTED**] and [**REDACTED**] volume of our H Shares may be volatile. The following factors, among others, may affect the volume and [**REDACTED**] at which our H Shares will trade:

- variations in our revenue, earnings and cash flow;
- announcement of new investments, business collaborations, strategic alliances or acquisitions;
- any unexpected business interruptions resulting from epidemics, natural disasters or power shortages;
- any major changes in our Directors, senior management or other key personnel;
- our inability to obtain or maintain regulatory approval for our operations;
- our inability to compete with our competitors effectively;
- political, economic, financial and social developments; or
- fluctuations in market prices for our products or raw materials.

Moreover, shares of other companies [**REDACTED**] on the Stock Exchange with operations and assets in China have experienced significant [**REDACTED**] volatility in the past. It is possible that our H Shares may be subject to changes in [**REDACTED**] not directly related to our performance and as a result, [**REDACTED**] in our H Shares may suffer substantial losses.

Future sales or perceived sales of substantial amounts of our Shares in the [REDACTED] could have a material adverse effect on the prevailing [REDACTED] of our H Shares and our ability to raise additional capital in the future.

Substantial future sales or the expectation of substantial sale of our Shares in the [**REDACTED**] following the [**REDACTED**] could materially and adversely affect the [**REDACTED**] of our H Shares. Future sales of a significant number of our Shares by our Single Largest Shareholder or other existing shareholders in the [**REDACTED**] after the [**REDACTED**], or the perception that these sales could occur, could cause the [**REDACTED**] of our H Shares to decline and could materially impair our future ability to raise capital through [**REDACTED**] of our Shares. We cannot assure you that our Single Largest Shareholder will not dispose of Shares held by it or that we will not [**REDACTED**] Shares pursuant to the general mandate to [**REDACTED**] shares granted to our Directors or otherwise. We cannot predict the effect, if any, that any future sales of Shares by our Single Largest Shareholder, or the availability of Shares for sale by our Single Largest Shareholder, or the issuance of Shares by the Company may have on the [**REDACTED**] of the H Shares. Sale or issuance of a substantial number of Shares by our Single Largest Shareholder or us, or the market perception that such sale or issuance may occur, could materially and adversely affect the prevailing [**REDACTED**] of the H Shares.

In addition, while [**REDACTED**] subscribing shares in the [**REDACTED**] are not subject to any restrictions on the disposal of the H Shares they subscribed [(except as disclosed in "[**REDACTED**]")], they may have existing arrangements or agreement to dispose part or all of the H Shares they hold either immediately, or within certain period upon the completion of the [**REDACTED**] for legal and regulatory, business and market, or other factors. Any sale of the H Shares subscribed by such [**REDACTED**] pursuant to such arrangement or agreement could adversely affect the [**REDACTED**] of our H Shares and any sizeable sale could have a material adverse effect on the [**REDACTED**] of our H Shares and could cause substantial volatility in the [**REDACTED**] volume of our H Shares.

[As the [REDACTED] of our H Shares is higher than our consolidated net tangible asset per Share, purchasers of our H Shares in the [REDACTED] may experience immediate dilution upon such purchases.

As the [**REDACTED**] of our H Shares is higher than the consolidated net tangible assets per Share immediately prior to the [**REDACTED**], purchasers of our H Shares in the [**REDACTED**] may experience an immediate dilution. Our existing Shareholders will receive an increase in the [**REDACTED**] per Share of their Shares. In addition, holders of our H Shares may experience further dilution of their interest if we [**REDACTED**] additional H Shares in the future to raise additional capital.]

Our Single Largest Shareholder may have substantial influence over the Company and their interests may not be aligned with the interests of other Shareholders.

Our Single Largest Shareholder has substantial influence over our business, including matters relating to our management, policies and decisions regarding mergers, expansion plans, consolidations and sales of all or substantially all of our assets, election of Directors and other significant corporate actions. Immediately following the completion of the [**REDACTED**], our Single Largest Shareholder will be entitled to exercise approximately [**REDACTED**] of the issued share capital of our Company. This concentration of ownership may discourage, delay or prevent a change in control of the Company, which could deprive other Shareholders of an opportunity to receive a premium for their H Shares as part of a sale of the Company and might reduce the [**REDACTED**] of our H Shares. These events may occur even if they are opposed by our other Shareholders. In addition, the interest of our Single Largest Shareholder may differ from the interests of our other Shareholders. It is possible that our Single Largest Shareholder may exercise their substantial influence over us and cause us to enter into transactions or take, or fail to take, actions or make decisions that conflict with the best interests of our other Shareholders.

Our historical dividends may not be indicative of our future dividend policy, and there can be no assurance whether and when we will declare and pay dividends in the future.

We have declared dividends in the past. However, we cannot make any assurance that dividends of any amount will be declared or distributed by us in any period in the future. Under the applicable PRC laws and regulations, the payment of dividends may be subject to certain limitations, and the calculation of our profit under the Accounting Standards for Business Enterprises may differ in certain respects from the calculation under the IFRS. The declaration, payment and amount of any future dividends are subject to the discretion of our Directors, after taking into account various factors, including our results of operations, financial condition, cash flows, capital expenditure requirements, market conditions, our strategic plans and prospects for business development, regulatory restrictions on the payment of dividends and other factors as our Directors may deem relevant, and subject to the approval at Shareholders' meeting. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the applicable PRC laws and regulations. For further details of our dividend policy, see "Financial Information—Dividend Policy." No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our historical dividends should not be taken as indicative of our dividend policy in the future.

Under the existing foreign exchange regulations of the PRC, 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 SAFE approval by complying with certain procedural requirements. However, approval from or registration with competent government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. If the foreign exchange regulations affect our ability to

obtain sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders. Further, we cannot assure you that new regulations will not be promulgated in the future that could affect the remittance of Renminbi into or out of China.

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

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

Certain facts, forecast and other statistics in this document are derived from various publicly available sources, which have not been independently verified and may not be reliable.

Certain facts, forecast and other statistics in this document are derived from various publicly available sources, including government and official resources. However, our Directors cannot guarantee the quality or reliability of such source materials. We believe that the sources of the said information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. 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. Nevertheless, information from government and official sources has not been independently verified by us, the Joint Sponsors, [**REDACTED**] or any of their respective affiliates or advisors and, therefore, we make no representation as to the accuracy of such facts and statistics. Further, we cannot assure our [**REDACTED**] that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, our [**REDACTED**] should consider carefully how much weight or importance should be attached to or placed on such facts or statistics.

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

This document contains certain statements and information that are forward-looking and uses forward-looking terminology such as "aim," "anticipate," "believe," "could," "predict," "going forward," "intend," "plan," "project," "seek," "expect," "may," "ought to," "should," "would" or "will" and the negative of these terms as well as similar expressions. You are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations or warranties by us that our plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to this cautionary statement.

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

We may be subject to press and media coverage prior to the publication of this document, and subsequent to the date of this document but prior to the completion of the [**REDACTED**]. The press and media may include certain financial information, industry comparisons, profit forecasts and other information about us that does not appear in this document.

You should rely solely upon the information contained in this document, the [**REDACTED**] and any formal announcements made by us in Hong Kong in making your [**REDACTED**] decision regarding the H 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 ourselves or the [**REDACTED**].

We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information, reports or publications. Accordingly, prospective [**REDACTED**] should not rely on any such information, reports or publications in making their [**REDACTED**] decisions regarding the [**REDACTED**].

In making their decisions as to whether to [**REDACTED**] in our H Shares, prospective [**REDACTED**] should only rely on the financial, operational and other information included in this document, the [**REDACTED**] and any formal announcements made by us in Hong Kong. By applying to purchase our H Shares in the [**REDACTED**], you will be deemed to have agreed that you will not rely on any information other than that contained in this document, the [**REDACTED**] and any formal announcements made by us in Hong Kong.

In preparation for the [**REDACTED**], we have sought the following waivers from strict compliance with certain provisions of the Listing Rules.

MANAGEMENT PRESENCE IN HONG KONG

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

Our Group's management, business operations and assets are primarily based outside Hong Kong. The headquarters and senior management of our Group are primarily based in the PRC, where the Group's management is best able to attend to its functions. Our Directors consider that the appointment of executive Directors who will be ordinarily resident in Hong Kong would not be beneficial to, or appropriate for, the Group and therefore would not be in the best interests of our Company and Shareholders as a whole. Accordingly, our Company does not have, and for the foreseeable future will not have, sufficient management presence in Hong Kong for the purpose of satisfying the management presence requirement under Rules 8.12 and 19A.15 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rules 8.12 and 19A.15 of the Listing Rules. In order to maintain regular and effective communication with the Stock Exchange, we will put in place the following measures:

- we have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange. The two authorized representatives are Mr. Jiang Frank Ningjun (江寧軍先生), our Executive Director, Executive Vice President and Chief Strategy Officer, and Ms. Leung Wing Han Sharon (梁潁嫻女士), our joint company secretary (together, the "Authorized Representatives"). The Authorized Representatives will be readily contactable by the Stock Exchange by telephone and email to promptly deal with enquiries from the Stock Exchange, and will also be available to meet with the Stock Exchange to discuss any matter within a reasonable period of time upon request of the Stock Exchange;

- each of the Authorized Representatives will have all necessary means to contact the Directors (including the independent non-executive Directors) promptly at all times, as and when the Stock Exchange wishes to contact the Directors on any matters;

- all the Directors who are not ordinarily resident in Hong Kong have or can apply for valid travel documents to visit Hong Kong for business purposes and would be able to meet with the Stock Exchange upon reasonable notice;

- our Company will retain a Hong Kong legal advisor to advise on matters relating to the application of the Listing Rules and other applicable Hong Kong laws and regulations after Listing;

- Somerley Capital Limited, our compliance advisor, will act as an additional channel of communication with the Stock Exchange, and we will ensure that the compliance advisor will have access to our Authorized Representatives, Directors and other officers. We shall also ensure that such persons will promptly provide such information and assistance as the compliance advisor may need or may reasonably request in connection with the performance of the compliance advisor's duties as set forth in Chapter 3A of the Listing Rules; and

- pursuant to Rule 3.20 of the Listing Rules, each Director will provide his or her telephone number, mobile phone number, email address, residential address and correspondence address, where available, to the Stock Exchange.

JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, the company secretary must be an individual who, by virtue of their academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

Pursuant to Note 1 to Rule 3.28 of the Listing Rules, the Stock Exchange considers the following academic or professional qualifications to be acceptable:

(i) a member of The Hong Kong Chartered Governance Institute;

(ii) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); and

(iii) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing the "relevant experience", the Stock Exchange will consider the individual's:

(i) length of employment with the issuer and other issuers and the roles he/she played;

(ii) familiarity with the Listing Rules and other relevant laws and regulations including the SFO, the Companies Ordinance, the Companies (Winding up and Miscellaneous Provisions) Ordinance and the Takeovers Code;

(iii) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(iv) professional qualifications in other jurisdictions.

Our Company has appointed Ms. Liu Xiaohan (劉笑含女士) ("Ms. Liu"), our Board Secretary, and Ms. Leung Wing Han Sharon (梁潁嫻女士) ("Ms. Leung") of Tricor Services Limited, as the joint company secretaries of our Company. Please see the section headed "Directors, Supervisors and Senior Management—Joint Company Secretaries" in this document for their biographies.

Ms. Leung is a Chartered Secretary, a Chartered Governance Professional, a fellow member of both The Hong Kong Chartered Governance Institute, The Chartered Governance Institute in the United Kingdom, and a member of the Hong Kong Institute of Certified Public Accountants and therefore meets the qualification requirements under Note 1 to Rule 3.28 of the Listing Rules and is in compliance with Rule 8.17 of the Listing Rules.

Our Company's principal business activities are outside Hong Kong. Our Company believes that it would be in the best interests of our Company and the corporate governance of our Group to have as its joint company secretary a person such as Ms. Liu, who is a member of the senior management of our Company and who has day-to-day knowledge of our Company's affairs. Ms. Liu has the necessary nexus to the Board and close working relationship with the management of our Company in order to perform the function of a joint company secretary and to take the necessary actions in the most effective and efficient manner.

Accordingly, we have applied for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules for a three-year period from the [**REDACTED**], in accordance with paragraphs 11 to 17 of Chapter 3.10 of the Guide for New Listing Applicants, on the conditions that: (i) Ms. Leung is appointed as a joint company secretary to assist Ms. Liu in discharging her functions as a company secretary and in gaining the relevant experience under Rule 3.28 of the Listing Rules; (ii) the waiver will be revoked immediately if Ms. Leung, during the three-year period, ceases to provide assistance to Ms. Liu as a joint company secretary; and (iii) the waiver can be revoked if there are material breaches of the Listing Rules by our Company. In addition, Ms. Liu will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules and will enhance her knowledge of the Listing Rules during the three-year period from the [**REDACTED**]. Our Company will further ensure that Ms. Liu has access to the relevant training and support that would enhance her understanding of the Listing Rules and the duties of a company secretary of an issuer [**REDACTED**] on the Stock Exchange. Before the end of the three-year period, the qualifications and experience of Ms. Liu and the need for on-going assistance of Ms. Leung will be further evaluated by our Company. We will demonstrate that Ms. Liu, having benefited from the assistance of Ms. Leung for the preceding three years, will have acquired the skills necessary to carry out the duties of company secretary and the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[REDACTED]

[REDACTED]

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Sun Piaoyang (孫飄揚先生)	Room 301, Unit 1 Building 15 Oriental Ruiyuan No. 1 Yulan Road Haizhou District Lianyungang City Jiangsu Province PRC	Chinese
Mr. Dai Hongbin (戴洪斌先生)	Room 102, Building 7 Lane 397 Zhangjiang Sunnong Road Pudong New District Shanghai PRC	Chinese
Mr. Zhang Lianshan (張連山先生)	2 Country Squire Lane Princeton Junction, NJ U.S. 08550	American
Mr. Jiang Frank Ningjun (江寧軍先生)	House B15, Dongjiao State Guest Hotel Garden Villa Lane 1800 Jinke Road Pudong New District Shanghai PRC	American
Mr. Sun Jieping (孫杰平先生)	Room 101, Building 17 Oriental Ruiyuan No. 1 Yulan Road Haizhou District Lianyungang City Jiangsu Province PRC	Chinese

Name	Address	Nationality
Non-executive Director		
Ms. Guo Congzhao (郭叢照女士)	Room 615, 6th Floor No. 20 Zhichun Road Haidian District Beijing PRC	Chinese
Independent Non-executive Directors		
Mr. Dong Jiahong (董家鴻先生)	2015 Tsinghua University Staff Building No. 1, Tsinghua Park Haidian District Beijing PRC	Chinese
Mr. Zeng Qingsheng (曾慶生先生)	Room 801, No. 8 Lane 199 Weicheng Road Yangpu District Shanghai PRC	Chinese
Mr. Sun Jinyun (孫金雲先生)	Room 1201, No. 22 Lane 88 Jiangwancheng Road Yangpu District Shanghai PRC	Chinese
Mr. Chow Kyan Mervyn (周紀恩先生)	13A, 8 Shiu Fai Terrace Wan Chai Hong Kong	Chinese (Hong Kong)

SUPERVISORS

Name	Address	Nationality
Mr. Yuan Kaihong (袁開紅先生)	20 D-1-101 Oriental Ruiyuan Haizhou District Lianyungang City Jiangsu Province PRC	Chinese
Mr. Xiong Guoqiang (熊國強先生)	Room 1910 Lianyungang Longxi Deep Blue Apartment No. 1, Huanghe Road Zhongyun Street Lianyun District Lianyungang City Jiangsu Province PRC	Chinese
Ms. Xu Yu (徐煜女士)	Room 703, No. 11 Jinqiao New Home Lane 133 Jingong Road Pudong New District Shanghai PRC	Chinese

Please refer to the section headed "Directors, Supervisors and Senior Management" in this document for further details.

PARTIES INVOLVED IN THE [REDACTED]

Joint Sponsors *(in no particular order)*

Morgan Stanley Asia Limited
Level 46
International Commerce Centre
1 Austin Road West, Kowloon
Hong Kong

Citigroup Global Markets Asia Limited
50th Floor, Champion Tower
3 Garden Road
Central
Hong Kong

Huatai Financial Holdings (Hong Kong) Limited
62/F, The Center
99 Queen's Road Central
Hong Kong

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

Legal Advisors to Our Company

As to Hong Kong and U.S. laws:

Cleary Gottlieb Steen & Hamilton (Hong Kong)
37/F, Hysan Place
500 Hennessy Road
Causeway Bay
Hong Kong

	As to PRC law: **Commerce & Finance Law Offices** 12-15F, China World Office 2 No. 1 Jianguomenwai Avenue Chaoyang District Beijing PRC *As general regulatory consultant:* **Pillsbury Winthrop Shaw Pittman LLP** Suite 3001, Jing An Kerry Center Tower 2 1539 Nanjing West Road Shanghai PRC
Legal Advisors to the Joint Sponsors and [REDACTED]	*As to Hong Kong and U.S. laws:* **Herbert Smith Freehills** 23/F, Gloucester Tower 15 Queen's Road Central Hong Kong *As to PRC law:* **Jingtian & Gongcheng** 34/F Tower 3, China Central Place 77 Jianguo Road Chaoyang District Beijing PRC
Auditor and Reporting Accountants	**Ernst & Young** *Certified Public Accountants* *Registered Public Interest Entity Auditor* 27/F, One Taikoo Place 979 King's Road Quarry Bay 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]

CORPORATE INFORMATION

Registered office	No. 38 Huanghe Road Economic and Technological Development Zone Lianyungang City Jiangsu Province PRC
Headquarters	No. 7 Kunlunshan Road Economic and Technological Development Zone Lianyungang City Jiangsu Province PRC
Principal place of business in Hong Kong registered under Part 16 of the Companies Ordinance	Room 1920, 19/F Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Company's website	**www.hengrui.com** *(The information on the website does not form part of this document)*
Joint Company Secretaries	**Ms. Liu Xiaohan (劉笑含女士)** No. 7 Kunlunshan Road Economic and Technological Development Zone Lianyungang City Jiangsu Province PRC **Ms. Leung Wing Han Sharon (梁潁嫻女士)** *(FCG, HKFCG, HKICPA)* Room 1920, 19/F Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong

Authorized Representatives	**Mr. Jiang Frank Ningjun (江寧軍先生)** No. 7 Kunlunshan Road Economic and Technological Development Zone Lianyungang City Jiangsu Province PRC
	Ms. Leung Wing Han Sharon (梁潁嫻女士) *(FCG, HKFCG, HKICPA)* Room 1920, 19/F Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Audit Committee	Mr. Zeng Qingsheng (曾慶生先生) (*Chairperson*) Mr. Dong Jiahong (董家鴻先生) Mr. Sun Jinyun (孫金雲先生)
Remuneration and Evaluation Committee	Mr. Sun Jinyun (孫金雲先生) (*Chairperson*) Mr. Dai Hongbin (戴洪斌先生) Mr. Zeng Qingsheng (曾慶生先生)
Nomination Committee	Mr. Dong Jiahong (董家鴻先生) (*Chairperson*) Mr. Sun Piaoyang (孫飄揚先生) Mr. Sun Jinyun (孫金雲先生)
Strategy Committee	Mr. Sun Piaoyang (孫飄揚先生) (*Chairperson*) Mr. Dai Hongbin (戴洪斌先生) Mr. Zhang Lianshan (張連山先生) Mr. Jiang Frank Ningjun (江寧軍先生) Ms. Guo Congzhao (郭叢照女士) Mr. Dong Jiahong (董家鴻先生)

[REDACTED]

CORPORATE INFORMATION

Compliance Advisor

Somerley Capital Limited
20th Floor, China Building
29 Queen's Road Central
Hong Kong

Principal Banks

Bank of China
Lianyungang Economic and Technological Development Zone Sub-Branch
No. 15 Kunlunshan Road
Economic & Technological
Development Zone
Lianyungang City
Jiangsu Province
PRC

Bank of Communications
Lianyungang Branch
No. 45 Huanghe Road
Economic & Technological
Development Zone
Lianyungang City
Jiangsu Province
PRC

The information and statistics set out in this section and other sections of this document were extracted from a report prepared by Frost & Sullivan, which was commissioned by us, and from various official government publications and other publicly available publications. We engaged Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. ("Frost & Sullivan") to prepare the Frost & Sullivan Report, an independent industry report, in connection with the [**REDACTED**]. *The information from official government sources has not been independently verified by us, the Joint Sponsors,* [**REDACTED**] *any of their respective directors, employees, agents or advisors, or any other persons or parties involved in the* [**REDACTED**]*, and no representation is given as to its accuracy, fairness and completeness. For a discussion of the risks relating to our industry, see "Risk Factors."*

GLOBAL AND CHINA'S PHARMACEUTICAL MARKETS

Recent Trends in Pharmaceutical Markets

Driven by aging population, rising health awareness and life expectancy, as well as increasing R&D expenditure, the global pharmaceutical market grew at a CAGR of 3.1% from US$1,266.7 billion in 2018 to US$1,472.3 billion in 2023, and is projected to grow at a CAGR of 5.7% to reach US$1,938.7 billion in 2028. Concurrently, China's pharmaceutical market grew from RMB1,533.4 billion in 2018 to RMB1,618.3 billion in 2023, and is projected to grow at a CAGR of 7.7% to reach RMB2,342.0 billion in 2028. The growth of China's pharmaceutical market is expected to accelerate driven by a combination of social-economic factors, including the expediting approval of innovative drugs, expanding medical insurance coverage and implementing of healthcare reform plans.

In recent years, the development of innovative drugs has been one of the main growth drivers of the global pharmaceutical market, and this trend is expected to continue. Pharmaceutical companies have boosted their investments in R&D innovation to develop differentiated, innovative drug candidates with better safety and efficacy profiles and improved patient convenience. In the meantime, Chinese pharmaceutical companies have boosted their investments in R&D innovation to roll out more innovative drug candidates and establish advanced technology platforms, increasing their global presence.

Drivers for Chinese Pharmaceutical Companies' Globalization

Innovation has been a key factor driving the globalization of Chinese pharmaceutical companies in recent years. In recognition of the innovative technologies and promising drug candidates developed by Chinese companies, there has been an increasing number of collaborations between global and Chinese companies through both out-licensing and M&A transactions. For example, in 2024, Chinese pharmaceutical companies engaged in 68

cross-border out-licensing transactions, with an aggregate deal value over US$42.3 billion. The increasing number of transactions (including out-licensing and M&A transactions) centered on innovative drug assets underscores the global market's growing recognition of innovation from China.

Barriers for Chinese Pharmaceutical Companies to Expand Globally

Innovation is a critical success factor for pharmaceutical companies to explore opportunities in the global market. Chinese pharmaceutical companies with proven R&D capabilities and differentiated pipeline products are uniquely positioned to expand globally, creating significant entry barriers.

In addition, manufacturing facilities in compliance with global standards, such as the EU GMP, the U.S. cGMP and the ICH Quality Guidelines, are critical for a pharmaceutical company's global business development and commercialization. However, building qualified manufacturing facilities and quality management systems typically requires significant capital investments and extensive experience, which create additional barriers for new entrants.

Furthermore, new entrants in global pharmaceutical markets must navigate through complex and changing regulatory frameworks across various regions. It could be challenging for multi-regional clinical trials to meet the applicable regulatory requirements in each participating country or region. As a result, a proven track record of obtaining regulatory approvals for relevant products from the U.S. FDA or other comparable regulatory authorities, particularly those with facilitated regulatory pathways, creates a significant barrier for Chinese pharmaceutical companies' globalization.

Competitive Landscape of China's Pharmaceutical Market

The key players in China's pharmaceutical market include large Chinese pharmaceutical companies and multinational pharmaceutical companies. We had a leading position among Chinese pharmaceutical companies, in terms of revenue from NME drugs in 2023 and the number of NME drug candidates in clinical or later stages of development as of the Latest Practicable Date, according to Frost & Sullivan.

PHARMACEUTICAL MARKETS BY THERAPEUTIC AREA

We strategically focus on comprehensive therapeutic areas with significant unmet medical needs and growth potential. These mainly include: (i) oncology, (ii) metabolic and cardiovascular diseases, (iii) immunological and respiratory diseases, and (iv) neuroscience.

Over the period from 2023 to 2028, China's pharmaceutical market is expected to grow at a CAGR of 7.7%, higher than that of the global pharmaceutical market, which is expected to grow at a CAGR of 5.7%. The following tables set forth the market size and growth rate of the four major therapeutic areas we focus on, in both global and China's pharmaceutical markets, for the periods indicated. In this document, the years designated "E" represent amounts estimated by Frost & Sullivan.

Global Pharmaceutical Market by Selected Therapeutic Area

	Market size			CAGR	
	USD billion				
	2018	2023	2028E	2018-2023	2023-2028E
Oncology	128.1	228.9	360.6	12.3%	9.5%
Metabolic and cardiovascular diseases	214.9	258.8	338.5	3.8%	5.5%
Immunological and respiratory diseases	198.9	228.3	294.6	2.8%	5.2%
Neuroscience	119.7	129.8	159.3	1.6%	4.2%
Total market size of selected therapeutic areas covered	**661.6**	**845.8**	**1,153.0**	**5.0%**	**6.4%**
Percent of total market	*52%*	*57%*	*59%*		
Total market	**1,266.7**	**1,472.3**	**1,938.7**	**3.1%**	**5.7%**

China's Pharmaceutical Market by Selected Therapeutic Area

	Market size			CAGR	
	RMB billion				
	2018	2023	2028E	2018-2023	2023-2028E
Oncology	157.5	241.6	448.4	8.9%	13.2%
Metabolic and cardiovascular diseases	287.2	289.3	414.3	0.1%	7.4%
Immunological and respiratory diseases	96.7	109.0	204.4	2.4%	13.4%
Neuroscience	197.4	173.4	228.8	-2.6%^	5.7%
Total market size of selected therapeutic areas covered	**738.8**	**813.3**	**1,295.9**	**1.9%**	**9.8%**
Percent of total market	*48%*	*50%*	*55%*		
Total market	**1,533.4**	**1,618.3**	**2,342.0**	**1.1%**	**7.7%**

Source: Frost & Sullivan analysis

^ The decrease was primarily because by the end of 2022, more than 30 neuroscience drugs were included in the VBP scheme, which affected the overall neuroscience market.

Oncology

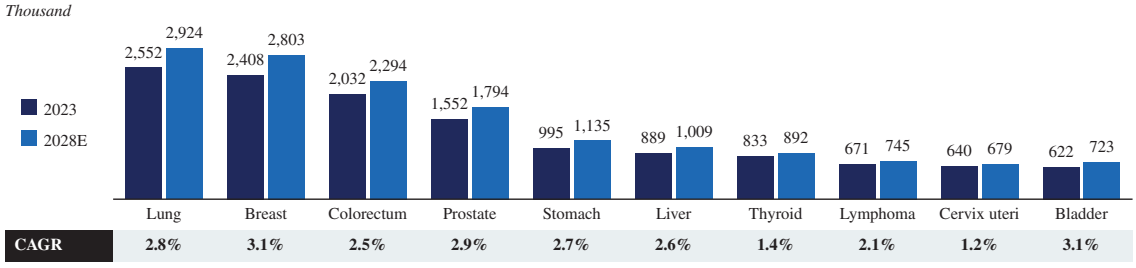
Overview

Cancer is the leading cause of mortality worldwide, resulting in approximately 10 million deaths globally each year. The cancer incidence has been increasing both in China and globally. The global incidence of cancer was 20.8 million cases in 2023 and is projected to grow at a CAGR of 2.4% to reach 23.4 million in 2028. In China, the incidence of cancer was 4.9 million cases in 2023 and is projected to grow at a CAGR of 2.0% to reach 5.4 million in 2028.

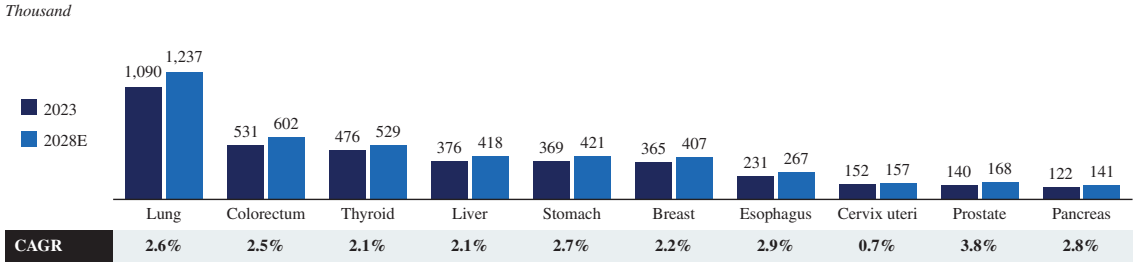
China has a high rate of cancer incidence, accounting for 23.7% of all new cancer cases globally in 2023. In addition, in the same year, there were nearly 2.6 million cancer deaths in China. The five-year survival rate of cancer patients in China is only 43.7%, compared to 69.0% in the U.S. This difference, compounded by China's high cancer incidence, demonstrates substantial unmet medical needs of China's cancer patients.

Several types of cancer—notably lung, breast, colorectal, and liver cancers—are among the Top 10 cancer types by incidence both in China and globally. The following charts set forth the Top 10 cancer types by incidence, globally and in China, respectively, for 2023 and 2028 (estimated):

Incidence of Top 10 Cancer Types Globally



Incidence of Top 10 Cancer Types in China



CAGR represents the CAGR over the period 2023-2028E

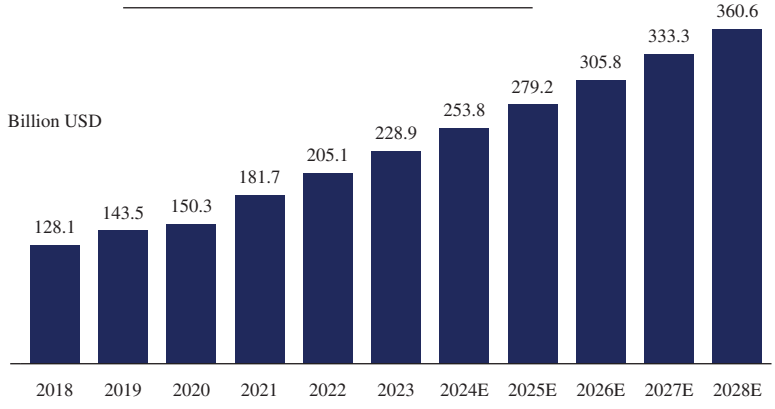
Source: Globocan, IARC, NCCR, Frost & Sullivan analysis

In 2018, the market size of oncology pharmaceuticals was US$128.1 billion globally, and it grew at a CAGR of 12.3% to US$228.9 billion in 2023. This market segment is projected to grow at a CAGR of 9.5% to reach US$360.6 billion in 2028.

In 2018, the market size of oncology pharmaceuticals was RMB157.5 billion in China, and it grew at a CAGR of 8.9% to RMB241.6 billion in 2023. This market segment is projected to grow at a CAGR of 13.2% to reach RMB448.4 billion in 2028.

Global Oncology Pharmaceutical Market, 2018-2028E

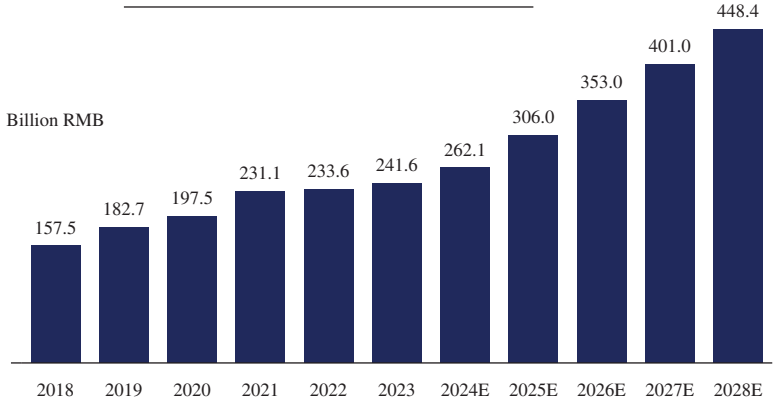
Period	CAGR
2018-2023	12.3%
2023-2028E	9.5%



Source: Frost & Sullivan analysis

Oncology Pharmaceutical Market in China, 2018-2028E

Period	CAGR
2018-2023	8.9%
2023-2028E	13.2%



Source: Frost & Sullivan analysis

Evolution of the Oncology Treatment Paradigm

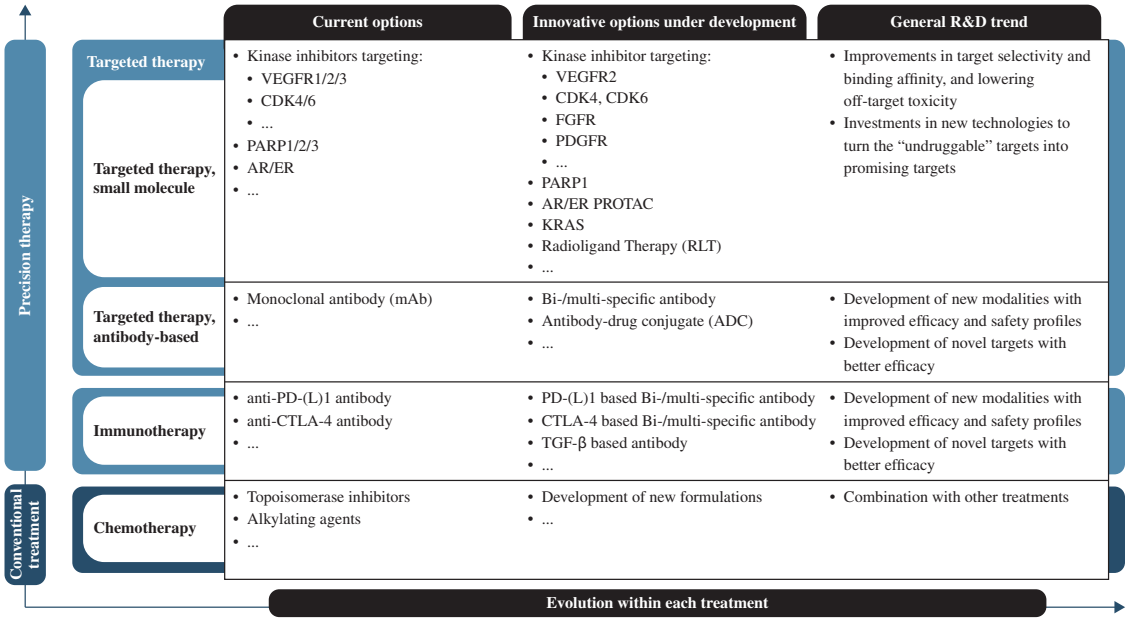
Over the past century, the oncology treatment paradigm has shifted from conventional broad-spectrum treatments to precision treatments. Targeted therapies (including small molecule targeted therapies and antibody-based targeted therapies) and immunotherapies offer oncology patients better prognosis and better chances of survival. In 2023, the market size of targeted therapies was US$138.8 billion globally and RMB102.3 billion in China. In the same year, the market size of immunotherapies was US$60.6 billion globally and RMB24.4 billion in China.

Targeted therapies can be further divided into small molecule targeted therapies and antibody-based targeted therapies. For small molecule targeted therapies, recent R&D trend focuses on improving target specificity while lowering off-target toxicity. The applications of novel technologies such as PROTACs are able to provide solutions to address "undruggability." For antibody-based targeted therapies, an increasing number of ADCs have demonstrated promising results in various cancer types. Bispecific/multi-specific T cell engagers have also been developed for the treatment of hematological malignancies.

Immunotherapies are widely studied globally to develop treatments with improved safety and efficacy profiles. Together with anti-PD-(L)1 and anti-CTLA-4 bi/multi-specific antibodies, novel targets such as TGF-β are undergoing development to overcome the current limitations in immune-suppressive tumor microenvironments.

Cross-modality combination therapies have been rapidly emerging. This approach has demonstrated promising clinical advantages, which are expected to bring better survival benefits to patients and enable these novel combination therapies to potentially become the new standard of care. Examples of cross-modality combination therapies include immunotherapy in combination with ADCs, dual immunotherapy, and immunotherapy in combination with small molecule targeted therapies. In comparison with monotherapies, cross-modality combination therapies significantly improve patients' chances of survival, with potential to achieve partial or complete tumor remission.

The following table sets forth significant developments in oncology treatments as well as the general R&D trend of each therapy since chemotherapies were introduced.



Source: Frost & Sullivan analysis

Targeted Therapies

Targeted therapies interfere with cell-signaling pathways, thereby blocking the spread and growth of cancer. This mechanism minimizes harm to non-cancerous cells, which is a substantial pain point of conventional chemotherapies.

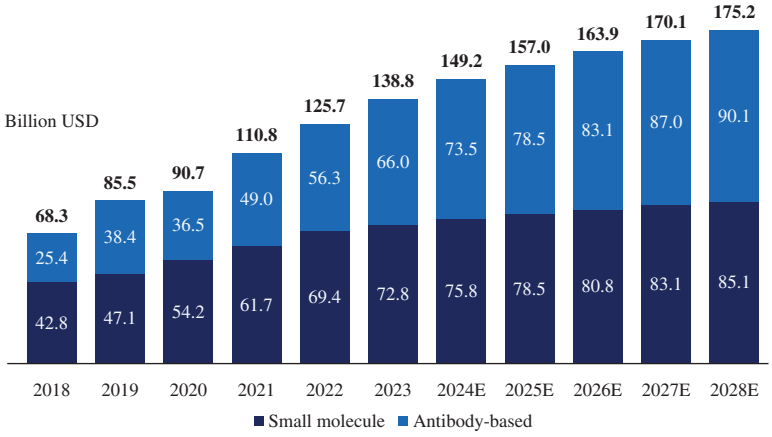
In 2018, the market size of targeted therapy pharmaceuticals was US$68.3 billion globally, and it grew at a CAGR of 15.2% to US$138.8 billion in 2023. This market segment is projected to grow at a CAGR of 4.8% and reach US$175.2 billion in 2028.

In 2018, the market size of targeted therapy pharmaceuticals was RMB18.1 billion in China, and it grew at a CAGR of 41.5% to RMB102.3 billion in 2023. This market segment is projected to grow at a CAGR of 13.9% and reach RMB196.5 billion in 2028.

The following charts set forth the size of the targeted therapy pharmaceutical market, both globally and in China, for the years presented.

Global Targeted Therapy Pharmaceutical Market, 2018-2028E

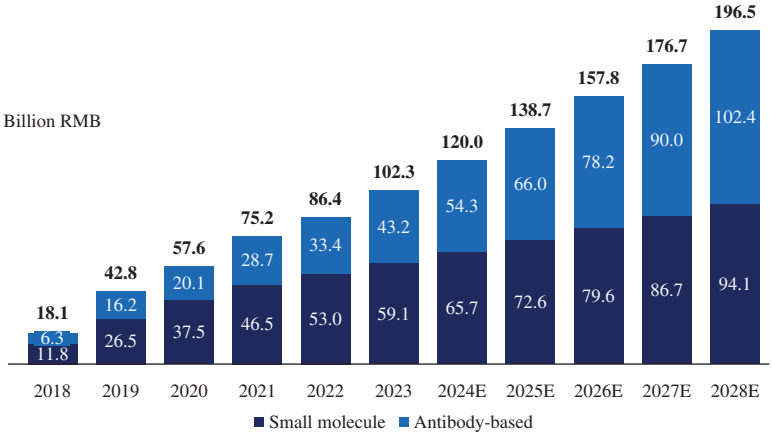
Period	CAGR		
	Small molecule	Antibody-based	Total
2018-2023	11.2%	21.0%	15.2%
2023-2028E	3.2%	6.4%	4.8%



Source: Frost & Sullivan analysis

Targeted Therapy Pharmaceutical Market in China, 2018-2028E

Period	CAGR		
	Small molecule	Antibody-based	Total
2018-2023	38.1%	47.0%	41.5%
2023-2028E	9.7%	18.8%	13.9%



Source: Frost & Sullivan analysis

Targeted Therapies, Small Molecule

Small molecule targeted therapies, as single agents or in combination therapies, act with selective specificity on a well-defined target or biological pathway. Compared to chemotherapies, small molecule targeted therapies destroy cancerous cells with less harm to non-cancerous cells.

Small molecule targeted therapy pharmaceuticals can be divided into two categories: multi-kinase inhibitors and selective kinase inhibitors. The R&D of small molecule targeted drugs began with multi-kinase inhibitors and gradually moved towards the development of selective kinase inhibitors to overcome off-target toxicities.

Currently, there is a high chance of relapse for the majority of patients treated with small molecule targeted therapies due to the development of new aberrations or drug resistance during the long-term disease management process. The development of highly selective kinase inhibitors and novel technologies, such as PROTACs, may potentially address these limitations.

Targeted Therapies, Antibody-based

Antibody is a large, protective protein produced by the immune system in response to the presence of pathogens such as pathogenic bacteria and viruses, which are called antigens. Antibodies recognize and latch onto antigens to neutralize and remove them from the human body. Antibodies are currently used as medicines in the treatment of a number of diseases, including various types of cancer.

Among the major types of antibody-based targeted therapies, ADCs are one of the fastest-growing treatment modalities. ADCs utilize an antibody to selectively deliver biologically active cytotoxic agents to cancerous cells. ADCs combine the unique targeting capabilities of antibodies with the killing effects of cytotoxic agents, resulting in sensitive discrimination between normal and cancerous cells. After triggering the internalization of the corresponding antibody, cytotoxic payloads are released to kill cancerous cells.

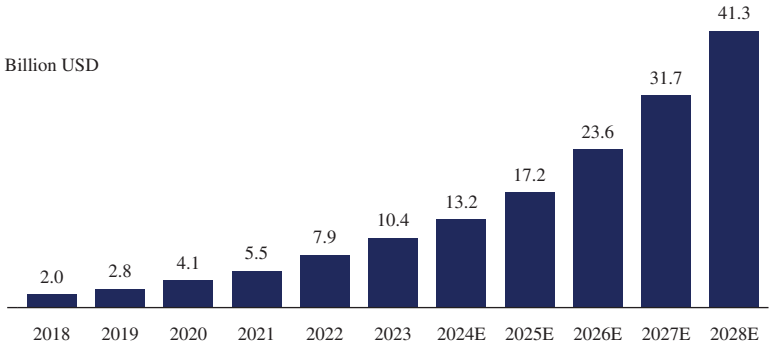
The global ADC market has attracted significant interest and substantial investment from pharmaceutical companies, highlighted by a number of notable M&A transactions and licensing collaborations. Chinese companies have been heavily involved in some of these transactions and are increasingly recognized as innovative powerhouses in this area. From 2021 to 2024, Chinese companies had participated in approximately 40% of the M&A transactions and out-licensing deals involving ADCs.

Continuous investments in ADC technologies are expected to accelerate the discovery of novel targets and payloads, the advancements in ADC designs, and the development of conjugation technologies. These efforts are expected to enhance ADC candidates, therapeutic windows and clinical profiles. Combination therapies using ADCs and immunotherapies have demonstrated great potential in enhancing anti-tumor efficacy in clinical studies and become a trend in cancer treatment.

The following charts set forth the market size of ADCs, both globally and in China, for the years presented.

Global ADC Market, 2018-2028E

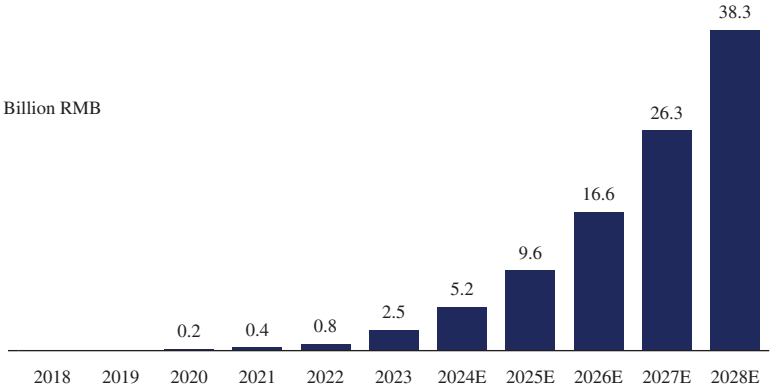
Period	CAGR
2018-2023	38.6%
2023-2028E	31.8%



Source: Frost & Sullivan analysis

ADC Market in China, 2018-2028E

Period	CAGR
2020-2023	149.0%
2023-2028E	72.6%



Source: Frost & Sullivan analysis

Immunotherapies

Immunotherapies are designed to stimulate patients' immune systems to generate or augment an antitumor immune response to control or kill cancerous cells. Immunotherapies have been widely applied to cancer patients at advanced stages due to their favorable efficacy and safety profiles.

Representative immunomodulators include anti-PD-(L)1 antibodies and anti-CTLA-4 antibodies. Anti-PD-(L)1 antibodies are widely developed in combination with other drug categories, including chemotherapies, small molecule targeted therapies, ADCs, and other immunotherapies. Anti-CTLA-4 antibodies regulate T cell proliferations early in an immune response, thus enhancing immune responses against cancerous cells.

Immunotherapies generally exhibit good efficacy and safety profiles, though their response rates vary significantly among patients with different types of cancer. Immunotherapies' efficacy and safety profiles carry great potential, and the existing limitations of immunotherapies may be mitigated through combination therapies.

Combination treatments of immunotherapies with other modalities intend to activate immune response, decrease immunosuppression, and target signaling and resistance pathways to offer a more durable, long-lasting treatment compared to traditional therapies and immunotherapies as monotherapies for cancers.

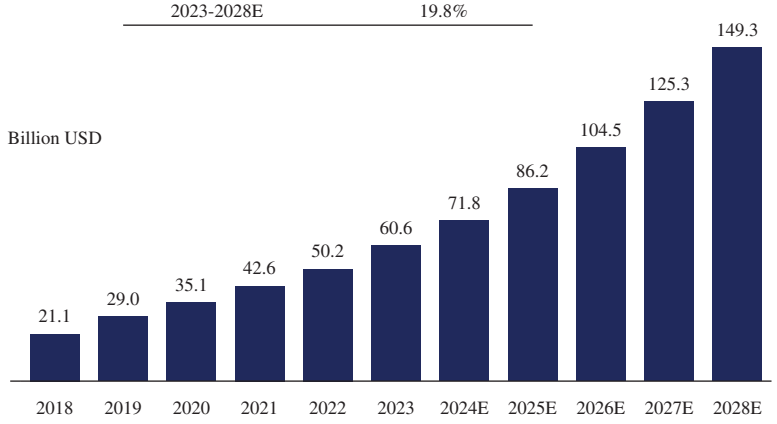
In 2018, the market size of immunotherapy pharmaceuticals was US$21.1 billion globally, and it grew at a CAGR of 23.5% to US$60.6 billion in 2023. This market segment is projected to grow at a CAGR of 19.8% to reach US$149.3 billion in 2028.

In 2018, the market size of immunotherapy pharmaceuticals was RMB1.9 billion, and it grew at a CAGR of 66.4% to RMB24.4 billion in 2023 in China. This market segment is projected to grow at a CAGR of 41.7% to reach RMB139.6 billion in 2028.

The following charts set forth the size of the immunotherapy pharmaceutical market, both globally and in China, for the years presented.

Global Immunotherapy Pharmaceutical Market, 2018-2028E

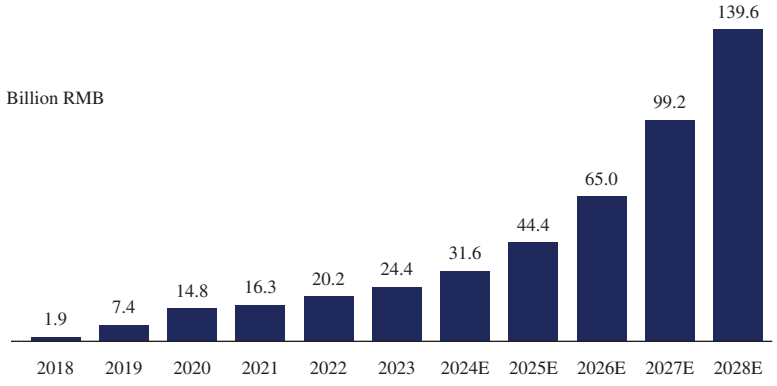
Period	CAGR
2018-2023	23.5%
2023-2028E	19.8%



Source: Frost & Sullivan analysis

Immunotherapy Pharmaceutical Market in China, 2018-2028E

Period	CAGR
2018-2023	66.4%
2023-2028E	41.7%



Source: Frost & Sullivan analysis

Other Novel Modalities for Oncology

Bispecific Antibodies (BsAbs)

Bispecific antibodies, or BsAbs, are an emerging treatment modality that concurrently binds to two distinct antigens or epitopes of antigens. BsAbs simultaneously block the biological functions mediated by the two antigens or draw the two antigens closer to enhance their interaction. Compared to other therapies, BsAbs' dual specificity potentially enables them to perform multiple synergistic functions. The probability of resistance to BsAbs is often lower due to their targeting of two distinct antigens. This mechanism potentially inhibits the metastasis of cancerous cells, while at the same time diminishing potential side-effects. The dual-specificity nature of BsAbs offers simplified treatment administration, improved safety profiles, and a lower possibility of drug resistance.

Bispecific T cell engagers have been widely developed for the treatment for various types of cancer. Representative bispecific T cell engagers targeting CD3/CD20, CD3/BCMA, and CD3/CD19 have exhibited enhanced cytotoxicity, target specificity, and unique mechanisms of action. These molecules have demonstrated promising efficacy in the treatment of hematological malignancies.

Proteolysis-Targeting Chimeras (PROTACs)

Proteolysis-targeting chimeras, or PROTACs, are a novel technology based on the ubiquitin-proteasome system. They induce targeted protein degradation through their utilization of small molecules.

PROTACs have demonstrated unique advantages in treatment of cancer patients with drug resistance through their degradation of the whole target protein. This is due to their potency to degrade targets that have long been considered to be "undruggable." These targets include transcription factors and scaffold proteins, which are difficult to target through traditional small molecule inhibitors because of their lack of high-affinity ligands. PROTACs' capabilities and potential have garnered growing interest and investments globally.

Radioligand Therapies (RLTs)

Radioligand therapies, RLTs, are a promising modality in the treatment of cancer. With RLTs, different isotopes and ligands can be combined together to diagnose, monitor, or treat various types of cancer. RLTs are designed to specifically target cancerous cells, delivering radiation directly to the tumor while sparing the surrounding non-cancerous cells.

The global RLT market has seen an increasing number of innovative drugs under development. Pluvicto is a representative drug in the RLT market that has demonstrated promising efficacy in the treatment of prostate cancers. It was approved by the U.S. FDA in 2022, with sales reaching US$980 million in 2023. The development of RLTs is subject to a high entry barrier as a result of its use of radioactive materials that require specific licenses, as well as the relatively short half-lives of these materials.

Combination Therapies

With the emergence of novel drug modalities, there are numerous potential combination therapies. In particular, there are increasing numbers of combination therapies between immunotherapies and ADCs being evaluated in clinical studies, attributable to increasing clinical evidence of synergy between immunotherapies and ADCs. In December 2023, the U.S. FDA approved enfortumab vedotin-ejfv in combination with pembrolizumab for patients with locally advanced or metastatic urothelial cancer. Compared to a single-agent chemotherapy, this combination therapy demonstrated superior overall survival benefit with reduced risks of death and disease progression.

In addition, combinations of immunotherapies have demonstrated promising clinical results, enhancing the immune system's ability to respond to cancer. In October 2020, the U.S. FDA approved nivolumab in combination with ipilimumab as a first-line treatment for adult patients with unresectable malignant pleural mesothelioma. Subsequently, the combination of nivolumab and ipilimumab demonstrated more extensive improved survival benefit compared to the standard of care in broader types of cancers, such as HCC and metastatic colorectal cancer.

Immunotherapies can also be used in combination with small molecule targeted drugs. When combined, an immunotherapy activates immune cells to attack cancerous cells, while small molecule targeted drugs limit the nutrient supply of the tumor by blocking the formation of tumor blood vessels. In the global Phase III CARES 310 clinical study, camrelizumab in combination with apatinib (also known as rivoceranib) as a first-line treatment for advanced HCC achieved a median overall survival (mOS) of 23.8 months (compared with an mOS of 15.2 months for sorafenib), the longest among all first-line therapies for unresectable HCC (uHCC) with published clinical study results as of the Latest Practicable Date.

Metabolic and Cardiovascular

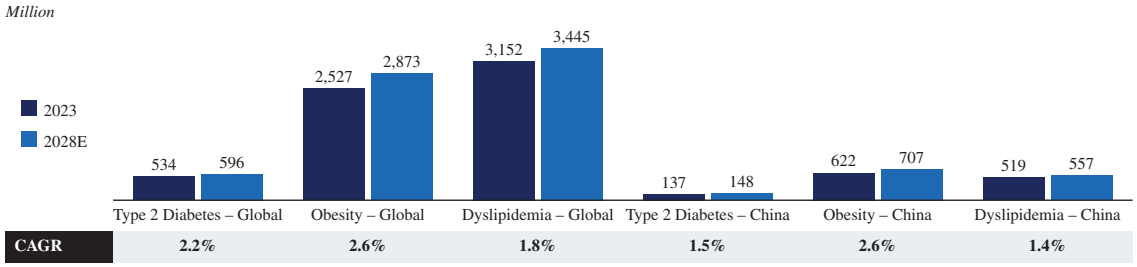
Overview

Metabolism refers to the process through which a human body breaks down consumed food into fundamental components within the digestive system. Any dysfunction in this process leads to metabolic diseases. Metabolic diseases, including diabetes and obesity, typically increase the risks of cardiovascular, cerebrovascular, and renal diseases.

Cardiovascular diseases, including high blood pressure and high cholesterol levels, are among the most prevalent diseases in China and lead to high-mortality conditions such as heart failure and stroke.

Metabolic and cardiovascular diseases represent broad health concerns with significant patient populations. The increasing prevalence of metabolic and cardiovascular diseases poses a serious burden on the community and drives a considerable level of unmet medical needs. There has been growing demand for personalized therapies that offer enhanced safety and efficacy profiles and more convenient drug administration. Long-term treatments are required for metabolic and cardiovascular diseases. The following chart sets forth the prevalence data of these key diseases:

Prevalence of Key Metabolic and Cardiovascular Diseases

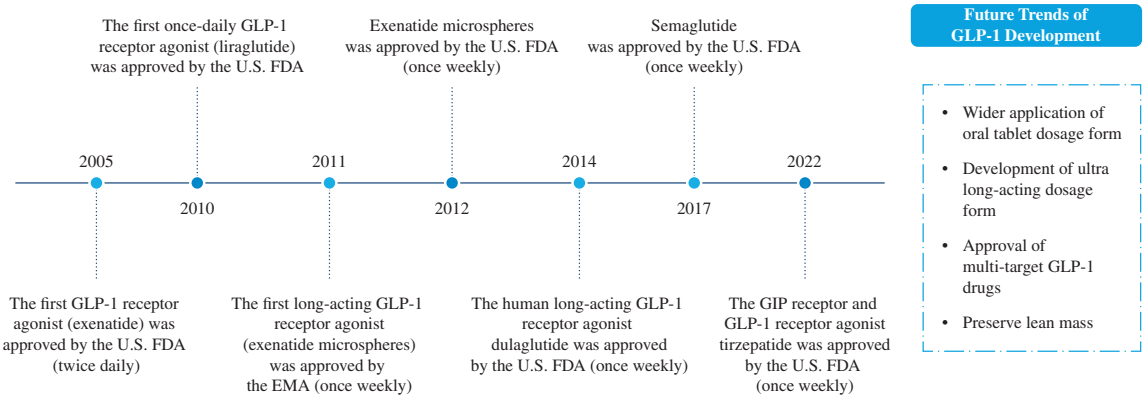


CAGR represents the CAGR over the period 2023-2028E

Source: Frost & Sullivan analysis

In recent years, the development of GLP-1 drugs has revolutionized the treatment paradigm for metabolic diseases, due to their superior clinical profiles and improved patient convenience. GLP-1 drugs have developed from single-target to dual-/multi-target receptor agonists, from short-acting to long-acting dosage forms, and from subcutaneous to oral dosage forms.

The following chart sets forth the development history of GLP-1 drugs in recent years. The future trend for these drugs includes wider use of oral tablet dosage forms, the development of ultra long-acting dosage forms, the approval of multi-target GLP-1 drugs, and the efficacy to preserve lean mass.



Source: Frost & Sullivan analysis

Lipoprotein(a), or Lp(a), is a particle that carries cholesterol in the blood. Lp(a) levels are inherited and not associated with diet, exercise, or obesity. High levels of Lp(a) have been shown to be a significant risk factor for atherosclerotic cardiovascular disease (ASCVD), affecting over one billion adults globally. However, no therapy has been approved to lower Lp(a) levels, highlighting an unmet need for people with cardiovascular diseases. The discovery and development of innovative Lp(a) lowering drugs are expected to address significant unmet medical needs.

Market Size and Growth

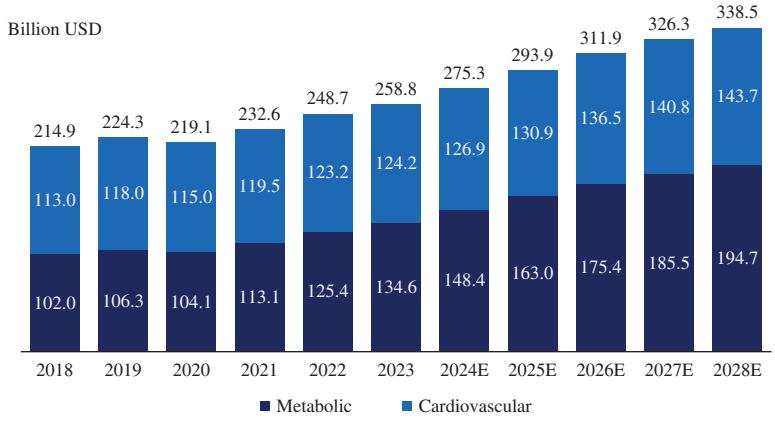
In 2018, the market size of metabolic and cardiovascular pharmaceuticals was US$214.9 billion globally, and it grew at a CAGR of 3.8% to US$258.8 billion in 2023. This market segment is projected to grow at a CAGR of 5.5% to reach US$338.5 billion in 2028.

In 2018, the market size of metabolic and cardiovascular pharmaceuticals was RMB287.2 billion in China, and it reached RMB289.3 billion in 2023. This market segment is projected to grow at a CAGR of 7.4% to reach RMB414.3 billion in 2028.

The following charts set forth the market size of metabolic and cardiovascular pharmaceuticals, both globally and in China, for the years indicated.

Global Metabolic and Cardiovascular Pharmaceutical Market, 2018-2028E

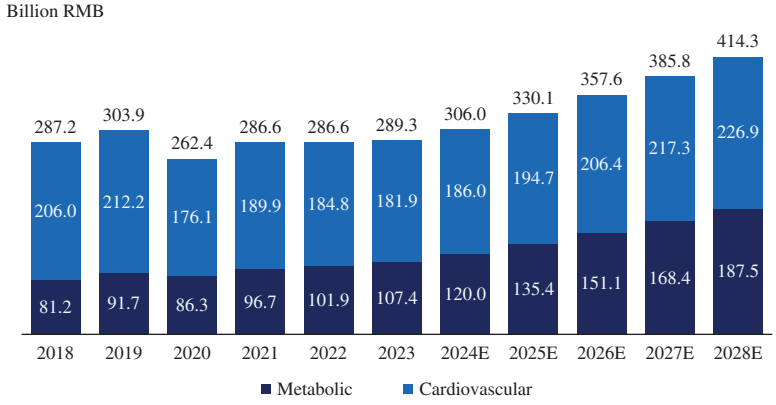
Period	CAGR		
	Metabolic	Cardiovascular	Total
2018-2023	5.7%	1.9%	3.8%
2023-2028E	7.7%	3.0%	5.5%



Source: Frost & Sullivan analysis

Metabolic and Cardiovascular Pharmaceutical Market in China, 2018-2028E

Period	CAGR		
	Metabolic	Cardiovascular	Total
2018-2023	5.7%	-2.5%	0.1%
2023-2028E	11.8%	4.5%	7.4%



Source: Frost & Sullivan analysis

Immunological and Respiratory

Overview

An immunological disease is a condition in which a human body's immune system mistakenly attacks itself. These diseases can be associated with either abnormally low activity or over-activity of the immune system. A respiratory disease is a disease that affects the lungs or other parts of the respiratory system.

The global and China markets face significant burdens from immunological and respiratory diseases, primarily due to the high prevalence of patients with long-term medication needs and the cumbersome financial burdens. In 2023, the global population with psoriasis, rheumatoid arthritis, asthma, and chronic obstructive pulmonary diseases was approximately 136.6 million, 40.9 million, 786.9 million, and 246.2 million, respectively. Most of the innovative drugs available in China are expensive and beyond the coverage of social medical insurance. As a result, the rates for diagnosis and treatments for many diseases have been limited, representing a significant public health challenge with substantial unmet medical needs.

Currently, innovative therapeutic biologics dominate developed markets for the treatment of immunological and respiratory diseases due to the improved efficacy and safety profiles. However, the penetration of biologics for these diseases in China remains limited. Innovative drugs with optimized safety profile, extended half-lives, improved patient accessibility, and extended adherence are expected to be future growth drivers in this area.

Due to the complicated pathogenesis of these diseases, comprehensive solutions will be necessary to address unmet medical needs. These solutions are expected to include combination therapies, as well as multifunctional agents that simultaneously target multiple pathways.

Market Size and Growth

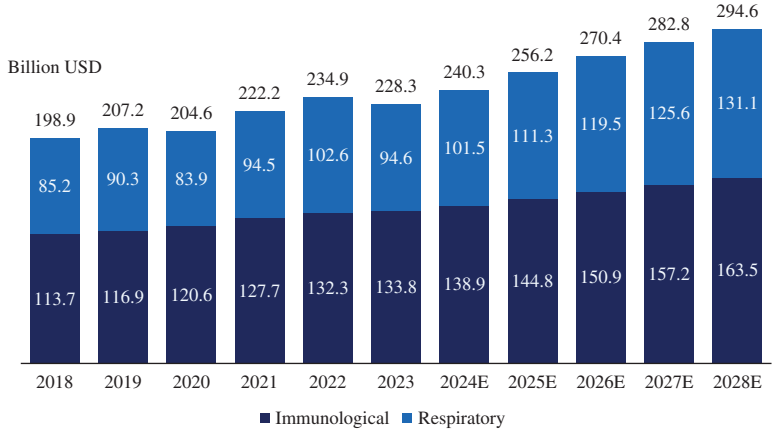
In 2018, the market size of immunological and respiratory disease pharmaceuticals was US$198.9 billion globally, and it grew at a CAGR of 2.8% to US$228.3 billion in 2023. This market segment is projected to grow at a CAGR of 5.2% to reach US$294.6 billion in 2028.

In 2018, the market size of immunological and respiratory disease pharmaceuticals was RMB96.7 billion in China, and it grew at a CAGR of 2.4% to RMB109.0 billion in 2023. This market segment is projected to grow at a CAGR of 13.4% to reach RMB204.4 billion in 2028.

The following charts set forth the market size of immunological and respiratory pharmaceuticals, both globally and in China, for the years presented.

Global Immunological and Respiratory Pharmaceutical Market, 2018-2028E

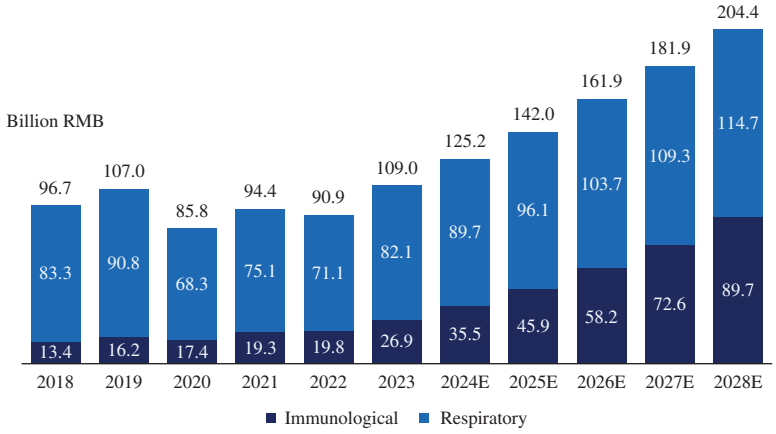
Period	CAGR		
	Immunological	Respiratory	Total
2018-2023	3.3%	2.1%	2.8%
2023-2028E	4.1%	6.8%	5.2%



Source: Frost & Sullivan analysis

Immunological and Respiratory Pharmaceutical Market in China, 2018-2028E

Period	CAGR		
	Immunological	Respiratory	Total
2018-2023	14.9%	-0.3%	2.4%
2023-2028E	27.3%	6.5%	13.4%



Source: Frost & Sullivan analysis

Neuroscience

Overview

The neuroscience pharmaceutical market broadly covers neurology, analgesia (or pain management), and anesthesia. Neurological disorders originate from central and peripheral nervous systems. These include structural, biochemical, and electrical abnormalities, which may result in a wide range of symptoms. Typical neurological disorders include migraine, depression, Alzheimer's Disease, and Parkinson's Disease. Alzheimer's Disease and Parkinson's Disease are two major neurodegenerative disorders worldwide. There were estimated to be 58.3 million people affected by dementia worldwide in 2023, with Alzheimer's Disease contributing to 60-70% of dementia cases. In the same year, there were 9.4 million people affected by Parkinson's Disease. In 2023, China had 14.0 million people affected by Alzheimer's Disease and approximately 43.4 million people at the MCI stage. In the same year, the estimated population in China with Parkinson's Disease was 3.2 million. There are significant unmet medical needs for disease-modifying therapies which target clearly-defined pathogenic mechanisms and have the potential to delay the disease progression.

Stroke is a potentially debilitating or even deadly cerebrovascular event. It is one of the leading causes of death. There is no approved medical therapy for treatment beyond the 3 to 4.5-hour time window. Novel therapies with improved clinical outcomes are expected to address the significant unmet medical needs.

Pain management is another critical issue both in China and globally. Chronic pain affects over 20% of the general population. Insufficient symptom control, poor tolerance of medications, and opioid overuse are still challenges in clinical practice, especially in the treatment of chronic pain.

Anesthesia and related fields such as perioperative management and critical care also show significant growth potential.

Market Size and Growth

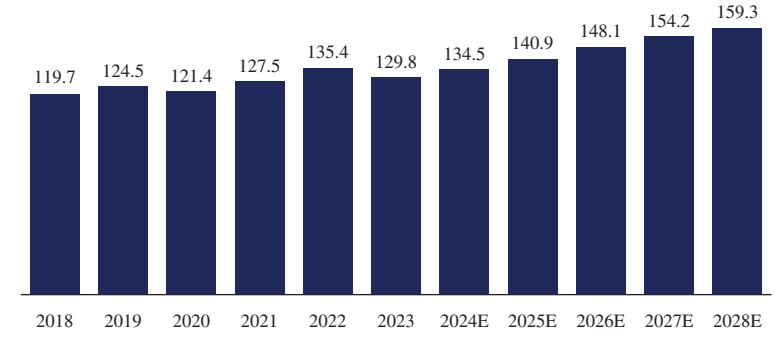
In 2018, the market size of neuroscience pharmaceuticals was US$119.7 billion globally, and it grew at a CAGR of 1.6% to US$129.8 billion in 2023. This market segment is projected to grow at a CAGR of 4.2% to reach US$159.3 billion in 2028.

In 2018, the market size of neuroscience pharmaceuticals was RMB197.4 billion in China, and it decreased to RMB173.4 billion in 2023. The decrease was primarily because by the end of 2022, more than 30 neuroscience drugs were included in the VBP scheme. However, this market is projected to grow at a CAGR of 5.7% to reach RMB228.8 billion in 2028.

The following charts set forth neuroscience pharmaceuticals' market sizes, both globally and in China, for the years presented.

Global Neuroscience Pharmaceutical Market, 2018-2028E

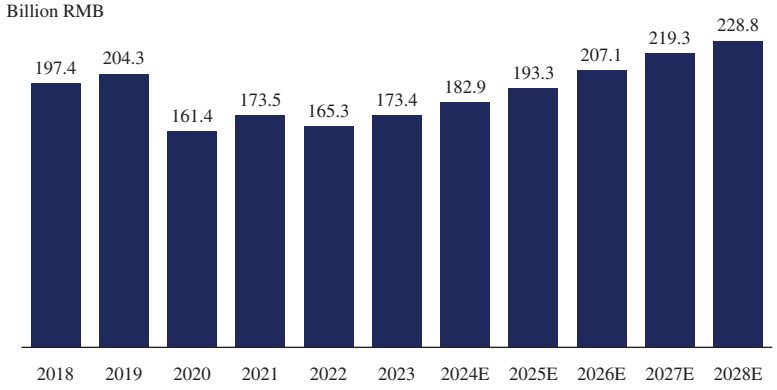
Period	CAGR
2018-2023	1.6%
2023-2028E	4.2%



Source: Frost & Sullivan analysis

Neuroscience Pharmaceutical Market in China, 2018-2028E

Period	CAGR
2018-2023	-2.6%
2023-2028E	5.7%



Source: Frost & Sullivan analysis

Other Pharmaceuticals

Contrast Agents

Contrast agents are substances used in medical imaging to increase the visibility of internal body structures such as organs, blood vessels, and other tissues. They are frequently applied before a medical imaging procedure and can be taken either orally or through injection. The growing demand for medical imaging is driven by an increase in medical procedures and the greater utilization of medical imaging in clinical protocols.

In 2018, the market size of contrast agents was US$18.6 billion globally, and it grew at a CAGR of 3.1% to US$21.7 billion in 2023. This market segment is projected to grow at a CAGR of 3.2% to reach US$25.5 billion in 2028 driven by growing demand for early disease detection.

In 2018, the market size of contrast agents was RMB8.1 billion in China, and it grew at a CAGR of 4.8% to RMB10.2 billion in 2023. This market segment is projected to grow at a CAGR of 16.3% to reach RMB21.8 billion in 2028 driven by growing awareness of early disease detection.

Anti-infectives

Anti-infectives are a group of drugs that kill or inhibit different kinds of pathogenic microbes through oral, intramuscular injection, intravenous injection, or topical use. Anti-infectives are widely used in the treatment of infectious diseases as well as complications triggered by other diseases. In 2018, the market size of anti-infectives was RMB217.9 billion in China, and it decreased to RMB190.3 billion in 2023 mainly due to price declines of major anti-infective drugs after they were included in the VBP scheme. However, this market is projected to grow at a CAGR of 2.3% to reach RMB213.3 billion in 2028 driven by launches of novel antimicrobial agents to combat growing unmet needs of antibiotic resistance.

SOURCE AND RELIABILITY OF INFORMATION

In connection with the [**REDACTED**], we engaged Frost & Sullivan, an independent market research consultant based in the U.S., to conduct an analysis of, and to prepare a report on the major markets for which our existing and in-development pharmaceutical products are positioned. Founded in 1961, Frost & Sullivan provides market research on a variety of industries. The information from Frost & Sullivan disclosed in this document has been extracted from the Frost & Sullivan Report, a report commissioned by us for a fee of RMB780,000, and is disclosed with the consent of Frost & Sullivan. 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 this information facilitates an understanding of the pharmaceutical market for potential [**REDACTED**]. 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 OF LAWS AND REGULATIONS IN THE PRC

This section summarizes the principal PRC laws, rules and regulations that are relevant to our business:

Regulatory Authorities

The regulatory authorities of the drug industry in the PRC include: the NMPA, the NHC and the NHSA.

The NMPA is an authority under the SAMR and is the primary regulator for medical products. It is primarily responsible for supervising and managing drugs, medical devices and cosmetics, including drafting relevant regulations and policies; undertaking standard management, registration regulation, quality management and post-market risk management for drugs, medical devices and cosmetics; organizing and guiding the supervision and inspection of drugs, medical devices and cosmetics; and undertaking management of qualifications for licensed pharmacists.

The NHC is the primary national regulator for public health. It is primarily responsible for drafting national health policies, supervising and regulating public health, healthcare services, and health emergency systems, coordinating the reform of medical and health system, organizing the formulation of national drug policies and the national essential medicine system, launching an early warning mechanism for the monitoring of the use and clinical comprehensive evaluation of medicine as well as the drug shortage, giving suggestions on the pricing policy of national essential medicine, and regulating the operation of medical institutions and practicing of medical personnel.

The NHSA is an authority directly under the State Council responsible for the management of the healthcare security system. It is primarily responsible for drafting and implementing policies and standards on medical insurance, maternity insurance and medical assistance; supervising and administering the healthcare security funds; organizing the formulation of a uniform medical insurance catalog and payment standards on drugs, medical disposables and healthcare services; and formulating and supervising the implementation of the bidding and tendering policies for drugs and medical disposables.

Laws and Regulations in Relation to New Drugs

Application for New Drug Registration

Drug registration refers to an approval process where the NMPA conducts a review of the safety, efficacy and quality controllability of the drugs intended for marketing according to the application for drug registration made by an applicant, and decides whether to approve the application. Pursuant to the provisions of the Measures for the Administration of Drug Registration (《藥品註冊管理辦法》), promulgated by the SAMR on January 22, 2020 and came into effect on July 1, 2020, the Measures for the Administration of Drug Registration (2020) shall apply to the development, registration, supervision and management activities carried out in the territory of the PRC for marketing of drugs. In accordance with the Measures for the Administration of Drug Registration (2020), drugs registration refers to activities that a drug registration applicant files an application and other supplementary applications for clinical trials of drugs, approval for drug marketing, and re-registration, among others, under the legal procedures and according to the relevant requirements, and that the medical products administrative department examines the safety, effectiveness, and quality controllability based on the laws and regulations, and the existing scientific cognitions, to decide whether to agree with the activities applied for. A drug registration certificate shall be valid for five years. During the validity period, a holder of a drug registration certificate shall continue to ensure the safety, effectiveness and quality controllability of the marketed drug, and apply for re-registration of the drug six months prior to the expiry of the validity period.

Non-clinical Research and Animal Testing

The non-clinical safety assessment of drugs for marketing approval shall be conducted in accordance with the Good Laboratory Practices for Non-clinical Laboratory Studies (《藥物非臨床研究質量管理規範》) promulgated by the State Food and Drug Administration (the "SFDA") in August 2003 and latest amended by the CFDA in July 2017 and came into effect on September 1, 2017. The SFDA promulgated the Administrative Measures for the Certification of Good Laboratory Practices for Non-clinical Laboratory Studies (《藥物非臨床研究質量管理規範認證管理辦法》) in April 2007, which specifies the requirements for institutions applying for Good Laboratory Practices (GLP) certification of non-clinical laboratory studies. On January 19, 2023, the NMPA amended the Administrative Measures for the Certification of Good Laboratory Practices for Non-clinical Laboratory Studies (《藥物非臨床研究質量管理規範認證管理辦法》), which came into effect on July 1, 2023.

According to the Regulations for the Administration of Affairs Concerning Experimental Animals (《實驗動物管理條例》) promulgated by the State Science and Technology Commission in November 1988 and lastly amended in March 2017 by the State Council, the Administration Measures on Good Practice of Experimental Animals (《實驗動物質量管理辦法》) jointly promulgated by the State Science and Technology Commission and the State Bureau of Quality and Technical Supervision in December 1997, and the Administrative Measures on the Certificate for Experimental Animals (Trial) (《實驗動物許可證管理辦法(試行)》) promulgated by the Ministry of Science and Technology and other regulatory authorities

in December 2001 and came into effect in January 2002, using experimental animals and related products requires a Certificate for Utilization of Laboratory Animals. A Certificate for Utilization of Laboratory Animals shall be valid for five years, and the holder shall apply for renewal six months prior to the expiry of the validity period. A Certificate for Utilization of Laboratory Animals shall be inspected annually by the local Science and Technology Bureau.

Application for Clinical Trial

After completing the preclinical studies, the applicant must obtain approval for clinical trials of drugs from the NMPA before the conduction of new drug clinical trials. According to the Decision on Adjusting the Approval Procedures of Certain Administrative Approval Items for Drugs (《關於調整部分藥品行政審批事項審批程序的決定》) promulgated by the CFDA on March 17, 2017 and came into effect on May 1, 2017, the decision on the approval of clinical trials of drugs enacted by the CFDA can be made by the CDE from May 1, 2017. Pursuant to the Drug Administration Law of the PRC (《中華人民共和國藥品管理法》) (the "Drug Administration Law"), the dossier on a new drug R&D, including the manufacturing method, quality specifications, results of pharmacological and toxicological tests and the relevant data, files and samples, shall, in accordance with the regulations of the drug regulatory authority under the State Council be truthfully submitted to the said department for approval before clinical drug trial is conducted.

The drug regulatory authority under the State Council shall decide whether to approve the clinical trial application and notify the decision to the clinical trial applicant within sixty (60) business days from the date of accepting the clinical trial application. If the drug regulatory authority under the State Council fails to do so, the clinical trial application shall be deemed as approval, and if the bioequivalence test is conducted, it is required to report it to the drug regulatory authority under the State Council for filing.

Before conducting the clinical trial, the applicant shall file a series of detailed documents with the NMPA. According to the Announcement on Drug Clinical Trial Information Platform (《關於藥物臨床試驗信息平台的公告》), which came into effect in September 2013, and the Standard for the Management of Drug Clinical Trial Registration and Information Disclosure (Trial) (《藥物臨床試驗登記與信息公示管理規範(試行)》), which came into effect in July 2020, all clinical trials approved by the NMPA and conducted in the PRC shall complete the clinical trial registration and information disclosure on the Drug Clinical Trial Information Platform. The applicant must complete the initial registration of the trial within one month after obtaining the approval of the clinical trial to obtain the unique registration number of the trials; and complete the subsequent data registration before the first patient is enrolled and submit it for the first time for disclosure.

After obtaining clinical trial approval, the applicant shall choose institutions qualified for clinical trials of the drug to conduct clinical trials. Pursuant to the Administrative Regulations for Drug Clinical Trial Institutions (《藥物臨床試驗機構管理規定》), which came into effect in December 2019, if engaging in drug development activities and conducting clinical trials of drugs (including bioequivalence test conducted after filing) approved by the NMPA within the

territory of the PRC, they shall be conducted in the drug clinical trial institutions. Drug clinical trial institutions shall be subject to filing administration. Institutions that only engage in analysis of biological samples related to drug clinical trials shall not be subject to filing. The national drug regulatory authority is responsible for setting up a filing management information platform for drug clinical trial institutions for registration, filing and operation management of drug clinical trial institutions, as well as the entry, sharing and disclosure of information on supervision and inspection of the drug regulatory authority and competent healthcare authority.

Conduct of Clinical Trial

In compliance with the Measures for the Administration of Drug Registration (《藥品註冊管理辦法》), clinical trials are divided into Phase I, Phase II, Phase III and Phase IV and bioequivalence trial:

A drug clinical trial to be carried out shall be examined and approved by the ethics committee. The management of drugs used in a drug clinical trial shall satisfy the relevant requirements of the GCP. A sponsor approved to carry out a drug clinical trial shall, before carrying out subsequent drug clinical trial by stages, develop corresponding plan for drug clinical trials, carry out drug clinical trial upon examination and with consent of the ethics committee, and submit a corresponding plan for drug clinical trial and supporting materials on the website of the CDE.

Clinical trials shall be conducted for the application of new drug registration and shall be implemented in accordance with the Good Clinical Practice for Drug Trials (《藥物臨床試驗質量管理規範》), promulgated by the NMPA and NHC and came into effect on July 1, 2020.

The Good Clinical Practice for Drug Trials stipulates the criteria for the entire procedure of the clinical trial including preclinical trial preparation and the necessary conditions, protection of testees' rights and interests, trial protocols, duties of researchers, duties of sponsors, duties of monitors, trial record and report, data management and statistical analysis, administration of drug products for trial, guarantee for quality, polycentric trials, with reference to the internationally recognized principles.

According to the Announcement of the National Medical Products Administration on Adjusting the Review and Approval Procedures for Drug Clinical Trials (《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》), if a new drug clinical trial has been approved to be carried out, after the completion of Phase I and Phase II clinical trials and before the implementation of Phase III clinical trials, the applicant shall submit an application for a communication meeting to the CDE to discuss with the CDE on key technical issues including the Phase III clinical trial design. The applicant can also apply for communication on key technical issues at different stages of clinical R&D.

According to the Measures for the Administration of Drug Registration (《藥品註冊管理辦法》), applicants may communicate with CDE on major issues at critical stages such as prior to application for clinical trial of a drug, during the process of clinical trial of a drug, and prior to application for marketing authorization of a drug. According to the Measures for the Administration of Communication and Exchange in Drug Development and Technology Review (《藥物研發與技術審評溝通交流管理辦法》) promulgated by the CDE on December 10, 2020, an applicant may propose to convene a communication meeting with the CDE during the process of drug R&D and registration application. There are three types of communication and exchange meetings: Type I meetings are held to resolve major safety issues encountered in the course of clinical trials of drugs and major technical issues in the course of R&D of breakthrough therapeutic drugs; Type II meetings are held for drugs at critical stages of R&D, which mainly include pre-application meetings for new drugs, meetings after the conclusion of Phase II clinical trials and before the commencement of Phase III clinical trials, meetings before application for marketing authorization of new drugs, and meetings for risk assessment and evaluation of new drugs. Type III meetings shall refer to meetings other than Type I and Type II meetings.

New Drug Application

Pursuant to the Measures for the Administration of Drug Registration (《藥品註冊管理辦法》), after completing the pharmaceutical research, pharmacological and toxicological research, drug clinical trial, and other research supporting the marketing registration of a drug, determining the quality standards, completing the verification of commercial large-scale production process, and making sound preparation for the acceptance of drug registration inspection and examination, an applicant shall file an application for drug marketing authorization, and submit relevant research materials in accordance with the requirements of the application materials. After the formal examination of the application materials, an application that satisfies the requirements shall be accepted. Where a generic drug, in vitro diagnostic reagent managed as a drug, or any other eligible circumstance assessed by an applicant to be unnecessary or impossible for conducting drug clinical trials and meeting the conditions for exempting drug clinical trials, the applicant may directly file an application for drug marketing authorization. The technical guiding principles and relevant specific requirements for exempting drug clinical trials shall be developed and announced by the CDE.

The CDE shall organize pharmaceutical, medical and other technical personnel to evaluate the accepted applications for drug marketing authorization as required. Where the comprehensive evaluation conclusion is adopted, the drug shall be approved for marketing, and a drug registration certificate shall be issued. If the comprehensive evaluation conclusion is not adopted, a disapproval decision shall be made. A drug registration certificate shall specify the drug approval number, holder, manufacturer and other information.

Drug registration inspection means the inspection activities carried out for the development sites and production sites for verifying the authenticity and consistency of the application materials and the commercial production conditions for marketing of drugs, and examining the compliance of drug development, and data reliability, among others, and the

extended examination activities carried out for manufacturers, suppliers, or other entrusted institutions of chemical APIs, auxiliary materials, and packaging materials and containers in direct contact with drugs involved in the application for drug registration, if necessary.

The CDE shall decide whether to carry out on-site inspection of drug registration development based on risks, according to the degree of drug innovation and the previous acceptance of inspection by drug research institutions.

The CDE shall decide whether to launch production site inspection for drug registration based on risks according to factors such as variety, process, facility, and previous acceptance of inspection for which an application is filed for registration. For innovative drugs, newly modified drugs and biological products, production site inspection for drug registration and pre-marketing examination for management standards for drug production quality shall be conducted. For generic drugs, production site inspection for drug registration and premarketing examination for management standards for drug production quality shall be conducted based on the risks, according to whether a drug production license for the corresponding production scope has been obtained and whether a variety of the same dosage form has been marketed.

After an application for drug registration is accepted, the CDE shall conduct preliminary examination within forty (40) business days of acceptance, notify the Center for Food and Drug Inspection of NMPA (the "Center for Inspection") of organizing inspection and provide the relevant materials required for inspection, where production site inspection for drug registration is required, and concurrently notify the applicant and the medical products administrative department of the province, autonomous region, or municipality in the place where the applicant or production enterprise is located. In principle, the Center for Inspection shall complete the inspection work forty (40) business days prior to the expiry of the time limit for inspection, and report the inspection information, inspection results and other relevant materials to the CDE.

Drug registration examination shall include standard review and sample examination. Standard review means the laboratory assessment of the scientificity of the items set in the standards for the drug for which the applicant applies, the feasibility of the test methods, and the rationality of quality control indicators, among others. Sample examination means the laboratory examination carried out for samples according to the application of the applicant or the drug quality standards verified by the CDE.

The review period for an application for drug marketing authorization shall be 200 business days. Within this two hundred (200) business days period, the review period for the procedures for prioritized review and approval shall be one hundred and thirty (130) business days, and the review period for the procedures for prioritized review and approval for clinically and urgently needed overseas-marketed drug for a rare disease shall be seventy (70) business days.

The following duration shall be excluded from the relevant work period: (i) time taken for the applicant to provide supplementary materials, to make corrections upon examination as well as to verify manufacturing process, quality standards and literature in accordance with the requirements; (ii) delay in examination or inspection due to reason of the applicant, time taken for organizing expert advisory meetings; (iii) the suspended duration in the event of suspension of review and approval procedures pursuant to the provisions of laws and regulations; and (iv) time taken for overseas examination where such overseas examination is activated.

Reform of Evaluation and Approval System for Drugs

In August 2015, the State Council promulgated the Opinions on the Reform of Evaluation and Approval System for Drugs and Medical Devices and Equipment (《關於改革藥品醫療器械審評審批制度的意見》) (the "Reform Opinions"), which provides a framework for reforming the evaluation and approval system for drugs and indicates enhancing the standard of approval for drug registration and accelerating the evaluation and approval process for innovative drugs.

In November 2015, the CFDA promulgated the Announcement on Certain Policies for Drug Registration, Evaluation and Approval (《關於藥品註冊審評審批若干政策的公告》) (the "Certain Policies Announcement"), which further clarifies the measures and policies on simplifying and accelerating the approval process on the basis of the Reform Opinions.

Pursuant to the Decision on Adjusting the Approval Procedures of Certain Administrative Approval Items for Drugs (《關於調整部分藥品行政審批事項審批程序的決定》) promulgated by the CFDA in March 2017 and came into effect in May 2017, the clinical trial approval decisions on drugs (including domestic and imported), decisions on approval of drug supplementary applications (including domestic and imported), and decisions on approval of re-registration of imported drugs can be directly made by the CDE in the name of the CFDA.

The Evaluation and Approval Procedures for Breakthrough Therapeutic Drugs (Trial) (《突破性治療藥物審評工作程序(試行)》), the Evaluation and Approval Procedures for Conditionally Approved Drugs (Trial) (《藥品附條件批准上市申請審評審批工作程序(試行)》) and The Preferential Evaluation and Approval Procedures for Drug Marketing Authorization (Trial) (《藥品上市許可優先審評審批工作程序(試行)》) promulgated by the NMPA in July 2020 and came into effect in July 2020, replace the Opinions on Implementing Priority Review and Approval to Encourage Drug Innovation (《關於鼓勵藥品創新實行優先審評審批的意見》) promulgated by the CFDA in December 2017 and came into effect in December 2017, which further clarified the Accelerating Registration Procedures for Drugs.

Administrative Protection and Monitoring Periods for New Drugs

According to the Implementing Rules for PRC Drug Administration Law (《中華人民共和國藥品管理法實施條例》) issued on March 2, 2019 and the Reform Plan for Registration Category of Chemical Drugs (《化學藥品註冊分類改革工作方案》) issued on March 4, 2016, the NMPA may, for the purpose of protecting public health, provide for an administrative

monitoring period of five years for new Category 1 drugs approved to be manufactured, commencing from the date of approval, to continually monitor the safety of those new drugs. During the monitoring period of a new drug, the NMPA will not approve any other enterprises' applications to manufacture or import the said drug.

Regulations on International Multi-Center Clinical Trials and Acceptance of Overseas Clinical Trial Data

According to the Notice on Issuing the International Multi-Center Clinical Trial Guidelines (Trial) (《關於發佈國際多中心藥物臨床試驗指南(試行)的通告》), ("the Multi-Center Clinical Trial Guidelines"), promulgated by the CFDA on January 30, 2015 and came into effect from March 1, 2015, international multi-center clinical trial applicants may simultaneously perform clinical trials in different centers using the same clinical trial protocol. Where the applicants plan to implement the international multi-center clinical trials in the PRC, the applicants shall comply with relevant laws and regulations, such as the Drug Administration Law, the Implementing Regulations of the PRC Drug Administration Law and the Administrative Measures for Drug Registration, execute the Good Clinical Practice, make reference to universal international principles such as the ICH, and comply with the laws and regulations of the countries involved in the international multi-center clinical trials. Where the applicants plan to use the data derived from the international multi-center clinical trials for approval of a drug registration in the PRC, it shall involve at least two countries, including China, and shall satisfy the requirements for clinical trials set forth in the Multi-Center Clinical Trial Guidelines and other related laws and regulations.

According to the Opinions on Deepening the Reform of the Evaluation and Approval System and Inspiring Innovation of Drugs and Medical Devices, clinical trial data obtained in an international multi-center that conforms to China's requirements for registration of drugs and medical devices can be used for the application for registration in China.

According to the Technical Guiding Principles for the Acceptance of Overseas Clinical Trial Data of Drugs (《接受藥品境外臨床試驗數據的技術指導原則》) promulgated by the NMPA on July 6, 2018, the basic principles for accepting overseas clinical trial data include: (i) applicants shall ensure the authenticity, integrity, accuracy and trace-ability of overseas clinical trial data; (ii) the process of generating overseas clinical trial data shall comply with the relevant requirements of the ICH-GCP; (iii) applicants shall ensure the scientific design of overseas clinical trials, the compliance of clinical trial quality management system with the requirements, and the accuracy and integrity of statistical analysis of data; and (iv) to ensure that the clinical trial design and statistical analysis of the data are scientific and reasonable, for the drugs with simultaneous R&D at home and abroad and forthcoming clinical trials in China, the applicants may, prior to implementing registrational clinical trials, contact the CDE to ensure the compliance of registrational clinical trial's design with the essential technical requirements for drug registration in China.

Marketing Authorization Holder System

Pursuant to the Drug Administration Law and the Administrative Measures for Drug Registration, the state implements the drug marketing authorization holder system for drug management. After obtaining a drug registration certificate, an applicant shall be the drug marketing authorization holder. During the validity period, a holder of a drug registration certificate shall continue to ensure the safety, effectiveness and quality controllability of the marketed drug, and apply for re-registration of the drug six months prior to the expiry of the validity period.

The drug marketing authorization holder shall proactively carry out post-marketing research on drugs, further confirm the safety, effectiveness and quality controllability of drugs, and strengthen the continuous management of marketed drugs. Where a drug registration certificate and its annex require the marketing authorization holder to carry out relevant research work after the drug is marketed, the marketing authorization holder shall complete the research within the prescribed time limit and file a supplementary application, undergo recordation formalities or report as required. After a drug is approved for marketing, the marketing authorization holder shall continue to conduct research on drug safety and effectiveness, undergo recordation formalities in a timely manner or file a supplementary application for revising the instructions according to the relevant data, and continuously update and improve the instructions and labels. According to the duties, the medical products administrative department may require the marketing authorization holder to revise the instructions and labels based on the monitoring of adverse drug reactions and the post-marketing reevaluation results of the drug.

The marketing authorization holder shall apply for re-registration six months prior to the expiry of the validity period of the drug registration certificate. An application for re-registration of a domestically produced drug shall be filed by the marketing authorization holder with the medical products administrative department of the province, autonomous region, or municipality directly under the PRC Government, and an application for re-registration of a drug produced overseas shall be filed by the marketing authorization holder with the Center for Drug Evaluation.

National Reimbursement Drug List of China

Participants in the National Health Insurance Scheme and their employers (if any) have to pay a monthly premium. Participants may be reimbursed for all or part of the cost of medicines included in the medical insurance catalog. The Notice on Provisional Measures for the Administration of the Scope of Medicines in the Basic Medical Insurance for Urban Workers (《城鎮職工基本醫療保險用藥範圍管理暫行辦法》) (or the Medical Insurance Notice), jointly issued by the Ministry of Labor and Social Security of the PRC and the NDRC and other governmental organizations on May 12, 1999, stipulates that the medicines included in the medical insurance catalog must be clinically necessary, safe and effective, reasonably priced, convenient to use and the supply of which can be guaranteed by the market.

The NRDL for Basic Medical Insurance, Work Injury Insurance and Maternity Insurance (《國家基本醫療保險、工傷保險和生育保險藥品目錄》) sets out the standards for payment of medicines by the basic medical insurance, work injury insurance and maternity insurance funds. The NHSA and other governmental organizations have the authority to determine the drugs to be included in the NRDL. Drugs listed in the NRDL are divided into two parts: Class A and Class B. Class A drugs are widely used for clinical treatment, with favorable efficacy and lower prices than their counterparts, while Class B drugs are used for clinical treatment, with favorable efficacy and slightly higher prices than Class A drugs.

On November 28, 2024, the NHSA and the Ministry of Human Resources and Social Security of the PRC released the latest NRDL (effective from January 1, 2025), which has been expanded to cover a total of 3,159 drugs. Inclusion in the NRDL will generally result in increased sales volume and lower drug prices (which are determined on a case-by-case basis and negotiated based on factors such as the initial drug price).

On July 30, 2020, the NHSA issued the Provisional Measures for the Administration of Medicines for Basic Medical Insurance (《基本醫療保險用藥管理暫行辦法》) ("Measures for the Administration of the NRDL"), which came into effect on September 1, 2020. The Measures for the Administration of the NRDL provides guidance on the inclusion and adjustment of the NRDL and the payment, management and supervision of basic medical insurance. According to the Measures for the Administration of the NRDL, a dynamic adjustment mechanism shall be established for the NRDL, which shall be adjusted annually in principle.

Gathering, Collection and Filing of Human Genetic Resources

The Interim Measures for the Management of Human Genetic Resources (《人類遺傳資源管理暫行辦法》) set out rules for the protection and use of human genetic resources in China. Pursuant to the Service Guide for Administrative Licensing of Gathering, Collection, Deal, Export and Exit Approval of Human Genetic Resources of Human genetic resources (《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》) promulgated by the Ministry of Science and Technology in July 2015 and the Notice on the Implementation of the Administrative License for the Gathering, Collection, Deal, Export and Exit of Human Genetic Resources (《關於實施人類遺傳資源採集、收集、買賣、出口、出境審批行政許可的通知》) promulgated by the Ministry of Science and Technology in August 2015, foreign investment sponsors who gather and collect human genetic resources through clinical trials should file a record with the China Human Genetic Resources Management Office through an online system. The Ministry of Science and Technology promulgated the Notice on Optimizing the Administrative Examination and Approval Process of Human Genetic Resources (《關於優化人類遺傳資源行政審批流程的通知》) in October 2017 and came into effect in December 2017, which has simplified the approval process for the gathering and collection of human genetic resources for the listing of drugs in the PRC. The Ministry of Science and Technology promulgated the Notice on Updating the Scope and Procedures for Administrative Licensing, Filing, and Prior Reporting of Human Genetic Resource Services Guidelines (《關於更新人類

遺傳資源行政許可事項服務指南、備案以及事先報告範圍和程序的通知》) on July 14, 2023 and came into effect since July 14, 2023, which has further refined the approval process for the gathering and collection of human genetic resources for the listing of drugs in the PRC.

Pursuant to the Regulations on the Management of 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》) promulgated by the State Council in May 2019, newly amended in March 2024 and came into effect on May 1, 2024, the state supports the rational use of human genetic resources for scientific research, development of the biomedical industry, improvement of diagnosis and treatment technology, improvement of China's ability to guarantee biosafety and improvement of the level of people's health. Foreign organizations, individuals and institutions established or actually controlled by them shall not gather or preserve Chinese genetic resources within the territory of the PRC, or provide Chinese genetic resources to foreign countries. In addition, the gathering, preservation, utilization and external provision of Chinese genetic resources shall (i) conform to ethical principles and conduct ethical review in accordance with relevant regulations; (ii) respect the privacy of the human genetic resource providers, obtain their prior consents, and protect their lawful rights and interests; (iii) comply with technical specification promulgated by the healthcare department of the State Council.

On October 17, 2020, SCNPC promulgated Biosecurity Law of the PRC (《中華人民共和國生物安全法》), and latest amended and came into effect on April 26, 2024. The Biosecurity Law establishes a comprehensive legislative framework for the pre-existing regulations in such areas as epidemic control of infectious diseases for humans, animals and plants; research, development, and application of biology technology; biosecurity management of pathogenic microorganism laboratories; security management of human genetic resources and biological resources; countermeasures for microbial resistance; and prevention of bioterrorism and defending threats of biological weapons. As per the Biosecurity Law, the R&D activities of high-risk and medium-risk biotechnology shall be carried out by a legal person organization established within the territory of China, upon obtaining the approval or record-filing. The establishment of a pathogenic microorganism laboratory shall be subject to approval or record-filing requirements in accordance with the law. In addition, (i) collecting human genetic resources of important genetic families or specific areas in China, or collecting human genetic resources of which the types and quantities are subject to provisions of the competent healthcare department under the State Council, (ii) preserving China's human genetic resources, (iii) using China's human genetic resources to carry out international scientific research cooperation, or (iv) transporting, mailing, and carrying China's human genetic resource materials out of the country shall subject to approval of the competent healthcare department.

The Ministry of Science and Technology promulgated the Implementation Rules for the Administrative Regulation on Human Genetic Resources (《人類遺傳資源管理條例實施細則》) (the "Implementation Rules") on May 26, 2023 and came into effect on July 1, 2023. The Implementation Rules has further provided detailed implementation regulations for the administration of human genetic resources of the PRC, including the following:

(a) clarifying the scope of human genetic resource information, which shall include information resources generated from human genetic resource materials (such as human genes and genome data) and exclude clinical data, image data, protein data and metabolic data;

(b) clarifying the criteria to constitute a foreign entity, which shall include (i) any foreign organization or individual that holds directly or indirectly more than 50% of the shares, equity interests, voting rights, property shares or other interests in the institution, (ii) any foreign organization or individual that is able to dominate or have material effect on the decision-making or management of the institution through its voting right or other interests, although the shares, equity interests, voting rights, property share or other interests it directly or indirectly holds in the institution is less than 50%, (iii) any foreign organization or individual that is able to dominate or have material effect on the decision-making or management of the institution through investment relationship, contract or other arrangement; and (iv) other situations stipulated by laws, regulations and rules;

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

Good Clinical Practice Certification and Compliance with the Good Clinical Practice (GCP)

To improve the quality of clinical trials, the NMPA and NHC promulgated the Good Clinical Practice for Drug Trials (《藥物臨床試驗質量管理規範》) in April 2020 and came into effect on July 1, 2020, which aims to ensure that the clinical trials of drugs are standardized and the results are scientific and reliable, protecting the rights and safety of human subjects. Pursuant to the Opinions on Deepening the Reform of the Evaluation and Approval Systems and Encouraging Innovation of Drugs and Medical Devices (《關於深化審評審批制度改革鼓勵藥品醫療器械創新的意見》) promulgated by the general offices of the Chinese Communist Party Central Committee and the State Council in October 2017, the qualification of clinical trial institutions shall be subject to record management. Clinical trials should follow GCP and protocols approved by the ethics committee of each research center.

Laws and Regulations in Relation to Drug Manufacturer

Drug Manufacturing Permit

Pursuant to the Drug Administration Law promulgated by the SCNPC in September 1984 and lastly amended in August 2019 and came into effect in December 2019, the state adopts an industry entry permit system for drug manufacturers. The conduct of drug manufacturing activities shall be approved and granted with a Drug Manufacturing License (《藥品生產許可證》) by the drug regulatory authority of the people's government at provincial, autonomous regional or municipal level. The Drug Manufacturing License shall indicate the validity period and the scope of production, and shall be reviewed for renewing upon expiration.

Good Manufacturing Practices

Prior to December 1, 2019, establishment of a new drug manufacturer, construction of new production premise for a drug manufacturer or production of new dosage form are required to submit application for good manufacturing practice certification (GMP certification) with the drug regulatory authority in accordance with relevant provisions. If the Good Manufacturing Practices are satisfied, a GMP certificate will be issued. Pursuant to the Announcement on the Relevant Issues Concerning the Implementation of the Drug Administration Law of the PRC (《關於貫徹實施<中華人民共和國藥品管理法>有關事項的公告》), promulgated by the NMPA on November 29, 2019, and the Drug Administration Law, the GMP and Good Supply Practice (GSP) certifications have been canceled, applications for GMP and GSP certifications are no longer accepted, and GMP and GSP certificates are no longer issued. When engaging in drug manufacturing activities, a manufacturer shall comply with the GMP and establish a sound GMP management system, to ensure that the entire process of drug manufacturing maintain to meet the statutory requirements, and meet the GMP requirements enacted by the drug regulatory authority under the State Council in accordance with the law. The legal representative of and principal person in charge of a drug manufacturer are fully responsible for the drug manufacturing activities of the enterprise.

The Good Manufacturing Practices (《藥品生產質量管理規範》), promulgated by the Ministry of Health of the PRC (the "MOH", now known as the NHC) in March 1988, newly amended in January 2011 and came into effect on March 1, 2011, provided guidance for the quality management, organization and staffing, production premises and facilities, equipments, material and products, recognition and inspection, documentation maintenance, manufacture management, quality control and quality assurance, contractual manufacture and contractual inspection for the products, product delivery and recalls of a manufacturer in a systematical manner.

Laws and Regulations on Drug Supply

According to the Drug Administration Law, the operation of drug business, including drug wholesale and drug retail, is prohibited without a Drug Supply Permit. A Drug Supply Permit shall state the validity period and the scope of business and be subject to review and reissuance upon expiry of the validity period.

According to the Measures for the Supervision and Administration of Drug Supply and Usage (《藥品經營和使用質量監督管理辦法》) took into effect on January 1, 2024, a Drug Supply Permit is valid for five years. Each holder of the Drug Supply Permit must apply for an extension of its permit six months to two months prior to expiration.

The Good Supply Practice for Pharmaceutical Products (《藥品經營質量管理規範》) (the "GSP Rules") was last amended and came into effect on July 13, 2016. The GSP Rules set forth the basic standards in management of drug supply and apply to enterprises engaged in drug supply in the PRC, which require drug suppliers to implement strict controls on its supply of pharmaceutical products, including standards regarding staff qualifications, premises, warehouses, inspection equipment and facilities, management and quality control. Under the Drug Administration Law, the GSP certification is no longer required for drug suppliers, but drug suppliers are still required to comply with the GSP Rules.

Other Laws and Regulations in Relation to Medical Industry

Basic Medical Insurance Policy

Pursuant to the Decision on the Establishment of the Urban Employee Basic Medical Insurance Program (《關於建立城鎮職工基本醫療保險制度的決定》) promulgated by the State Council on December 14, 1998 and the Tentative Measures for the Administration of the Scope of Medical Insurance Coverage for Pharmaceutical Products for Urban Employee (《城鎮職工基本醫療保險用藥範圍管理暫行辦法》) promulgated by the NDRC, the SFDA and other authorities, came into effect on May 12, 1999, all employers in cities and towns, including enterprises (state-owned enterprises, collective enterprises, foreign-invested enterprises, private enterprises, etc.), institutions, public institutions, social organizations, private non-enterprise units and their employees are required to participate in basic medical insurance. Pursuant to the Guiding Opinions on the Pilot of Basic Medical Insurance for Urban Residents (《關於開展城鎮居民基本醫療保險試點的指導意見》) promulgated by the State Council on July 10, 2007, urban residents (not urban employees) in the pilot areas can voluntarily participate in the basic medical insurance for urban residents. Pursuant to the Opinions of the State Council on the Integration of the Basic Medical Insurance System for Urban and Rural Residents (《國務院關於整合城鄉居民基本醫療保險制度的意見》) promulgated by the State Council on January 3, 2016, a unified basic medical insurance system for urban and rural residents was established, including the existing urban residents' medical insurance and all the insured personnel of New Rural Cooperative Medical System, covering all urban and rural residents except those who should be covered by the employee's basic medical insurance.

Medical Insurance Catalog

Pursuant to the Tentative Measures for the Administration of the Scope of Medical Insurance Coverage for Pharmaceutical Products for Urban Employee (《城鎮職工基本醫療保險用藥範圍管理暫行辦法》), the scope of medical insurance coverage for pharmaceutical products needs to be managed through the formulation of the Medical Insurance Catalog. A pharmaceutical product listed in the Medical Insurance Catalog must be clinically needed, safe, effective, reasonably priced, easy to use, available in sufficient quantity, and must meet the following requirements: it is set forth in the Pharmacopoeia of the PRC (current edition) (《中華人民共和國藥典》(現行版)); it meets the standards promulgated by the NMPA; and if imported, it is approved by the NMPA for import. According to the Opinions of the NHSA and the Ministry of Finance on Establishing a List-Based System for Healthcare Security Benefits (《國家醫保局、財政部關於建立醫療保障待遇清單制度的意見》), which came into effect in January 2021, all provinces shall implement the NRDL in a strict manner, and shall not have the discretion to formulate the catalog or increase the drugs in any form, or adjust the scope of limited payment unless explicitly stipulated. After several adjustments, the currently effective one is the National Insurance Drug List for Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance (2024) (《國家基本醫療保險、工傷保險和生育保險藥品目錄(2024年)》) came into effect since January 1, 2025.

Drug Price

Pursuant to the Drug Administration Law, for drug products with market-regulated prices in accordance with the law, the drug marketing authorization holder, the drug manufacturer, the drug distributor and medical institution shall determine the price pursuant to the principles of fairness, reasonableness, integrity and trustworthiness as well as quality for value in order to supply drug users with reasonably priced drug products; and shall comply with the requirements relating to drug price administration promulgated by the State Council's pricing authorities, determine and clearly mark the retail prices of drug products. Pursuant to the Notice on Issuing Opinions on Promoting Drug Price Reform (《關於印發<推進藥品價格改革意見>的通知》) jointly promulgated by NDRC, NHC, the Ministry of Human Resources and Social Security, Ministry of Industry and Information Technology (the "MIIT"), the Ministry of Finance, the MOFCOM and the CFDA on May 4, 2015 and came into effect on June 1, 2015, from June 1, 2015, except for narcotic drugs and first-class psychotropic drugs, the price of drugs set by the government will be canceled.

Drug Purchases by Hospitals

According to the Guiding Opinions concerning the Urban Medical and Health System Reform (《關於城鎮醫藥衛生體制改革的指導意見》) promulgated and came into effect on February 16, 2000, and the Opinions on the Implementation of Classification Management of Urban Medical Institutions (《關於城鎮醫療機構分類管理的實施意見》) promulgated on July 18, 2000 and came into effect on September 1, 2000, a medical institution must be defined as a for-profit or not-for-profit institution at the time of its establishment. A not-for-profit medical institution refers to a medical institution established for the purpose of public interest services,

which maintains and develops the institution with its income, while a for-profit medical institution is established by investors for the purpose of investment return. The PRC government has not established any for-profit medical institutions, while non-government entities may establish for-profit medical institutions. Under PRC law, any not-for-profit medical institution must use a centralized tender system to purchase any pharmaceutical products, while any for-profit medical institution is not required to use such system.

According to the Notice on the Trial Implementation of the Centralized Tender with Respect to Drug Purchases by Medical Institutions (《關於印發醫療機構藥品集中招標採購試點工作若干規定的通知》) promulgated and came into effect on July 7, 2000, the Notice on the Further Standardizing of the Centralized Tender with respect to Drug Purchases By Medical Institutions (《關於進一步做好醫療機構藥品集中招標採購工作的通知》) promulgated and came into effect on August 8, 2001 and the Opinions concerning Further Regulating Drug Purchases by Medical Institutions through Centralized Tendering (《關於進一步規範醫療機構藥品集中採購工作的意見》) promulgated and came into effect on January 17, 2009, any not-for-profit medical institutions established and/or controlled by any government at the county level or above must use a centralized tender system for the procurement of drugs which are listed in the Catalog of Drugs for National Basic Medical Insurance (《國家基本醫療保險藥品目錄》) and are generally for clinical use and bulk purchase.

The Good Practice of Medical Institutions with respect to Centralized Procurement of Drugs (《醫療機構藥品集中採購工作規範》) promulgated and came into effect on July 7, 2010, provides detailed provisions on the catalog and procurement methods of centralized procurement of drugs, the procedures of centralized procurement of drugs, the evaluation methods of centralized procurement of drugs, and the construction and management of the expert pools, further regulates the centralized procurement of drugs and clarifies the code of conduct of the parties involved in centralized procurement of drugs. According to the Good Practice of Medical Institutions with respect to Centralized Procurement of Drugs (《醫療機構藥品集中採購工作規範》), not-for-profit medical institutions established by the government at the county level or above or state-owned enterprises (including state-controlled enterprises) must participate in the centralized procurement of drugs for medical institutions. The centralized procurement management authority at provincial (district or municipal) level is responsible for compiling the catalog of drugs for centralized procurement by medical institutions within its own administrative region, and narcotic drugs and Class I psychoactive drugs under special management by the State are not included in such catalog for centralized procurement; Class II psychoactive drugs, radioactive pharmaceuticals, toxicity drugs for medical use, crude drugs, traditional Chinese medicinal materials and traditional Chinese medicine decoction pieces may be excluded from such catalog for centralized procurement.

According to the Guidance Opinion of the General Office of the State Council on the Improvement of the Drug Centralized Procurement Work of Public Hospitals (《國務院辦公廳關於完善公立醫院藥品集中採購工作的指導意見》) promulgated and came into effect on February 9, 2015, the centralized procurement work of public hospitals will be improved through the purchase of drugs by classification. All drugs used by public hospitals (with the exception of traditional Chinese medicine decoction pieces) should be procured through a

provincial centralized pharmaceutical procurement platform. The provincial drug procurement agency should work out a summary of the procurement plans and budget submitted by hospitals and compile reasonably a drug procurement catalog of the hospitals within its own administration region, listing by classification the drugs to be procured through bids, negotiations, direct purchases by hospitals or to be manufactured by appointed pharmaceutical manufacturers.

Volume-Based Procurement

On November 15, 2018, the Joint Procurement Office published the Papers on Drug Centralized Procurement in "4+7 Cities" (《4+7城市藥品集中採購文件》, the "Paper"), which launched the national pilot scheme for drugs centralized tendering with minimum procurement quantities. The pilot scheme will be carried out in 11 cities, including Beijing, Tianjin, Shanghai, Chongqing, Shenyang, Dalian, Xiamen, Guangzhou, Shenzhen, Chengdu and Xi'an (the "4+7 cities").

On January 1, 2019, the General Office of the State Council also published the Notice of Issuing Pilot Program of the Centralized Procurement and Use of Drugs Organized by the State (《國務院辦公廳關於印發國家組織藥品集中採購和使用試點方案的通知》), which provides the detailed measures in the implementation of the national pilot scheme for drugs centralized tendering with minimum procurement quantities in the 4+7 cities.

In principle, the various types of pilot drugs covered by the Pilot Program of the Centralized Procurement and Use of Drugs should be selected from the generic names of drugs that have passed the consistency assessment on quality and efficacy.

The procurement process should be based on the number of pharmaceutical enterprises selected: if three or more pharmaceutical enterprises are selected, the procurement should be conducted through an open tender process; if two enterprises are selected, the procurement should be conducted through a bargaining process; and if only one enterprise is selected, the terms of the procurement should be determined through negotiation.

According to the Implementing Opinions on Expanding the Pilot Program for Conducting Centralized Procurement and Use of Drugs by the State to Wider Areas (《關於國家組織藥品集中採購和使用試點擴大區域範圍的實施意見》) promulgated and came into effect on September 25, 2019, together with the Documents on National Centralized Drug Procurement (GY-YD2021-1) (《全國藥品集中採購文件》) issued by the Joint Procurement Office on January 15, 2021, the centralized procurement program of drugs has been extended to the whole country. The centralized volume-based procurement program of drugs will be implemented on a nationwide basis. Eligible participants include all drug manufacturers, sole agents of imported drugs and holders of marketing authorizations for drugs, provided that they own the drugs covered by the centralized purchasing program.

The NHSA, the NHC, the NMPA, the MIIT and the Ministry of Logistics and Security of the Central Military Commission jointly issued the Circular on Conducting the Second Batch of Centralized Procurement and Use of Drugs Organized by the State (《關於開展第二批國家組織藥品集中採購和使用工作的通知》) (the "Circular"), which became effective on January 13, 2020, and stipulated a number of principles for the implementation of the centralized procurement of drugs by the State in order to comprehensively deepen the reforms and to establish a standardized and regularized centralized purchasing program of drugs nationwide. The Joint Procurement Office issued the Documents on National Centralized Drug Procurement(GY-YD2020-1)(《全國藥品集中採購文件(GY-YD2020-1)》) on July 29, 2020 to launch a new batch of centralized procurement of drugs that meet the conditions for centralized procurement.

On January 22, 2021, the General Office of the State Council issued the Opinions on Promoting the Normalization and Institutionalization of the Centralized Volume-based Procurement of Drugs (《關於推動藥品集中帶量採購工作常態化制度化開展的意見》), stating that various measures will be taken to promote the normalization and institutionalization of the centralized volume-based procurement of drugs nationwide. All public medical institutions are required to participate in the centralized drug procurement program. The future procurement catalog will include drugs with high market demand or high procurement prices that are included in the NRDL, and is expected to cover, as far as possible, domestically marketed drugs with clinical utility and reliable quality.

On November 18, 2024, the NHSA and the NHC issued and implemented the Notice on Improving the Working Mechanism of Centralized Volume-based Procurement and Implementation of Pharmaceuticals(《關於完善醫藥集中帶量採購和執行工作機制的通知》), proposing the following measures to promote medical institutions and pharmaceutical enterprises to follow and support the Centralized Volume-based Procurement mechanism: (i) ensuring that the selected drugs and consumables are admitted to hospitals; (ii) improve the management level of the use of selected drugs and consumables; (iii) implement the policy of retaining the surplus of centralized procurement; (iv) explore the synergistic linkage of medical service prices, and so on.

The Joint Procurement Office issued the Documents on National Centralized Drug Procurement (GY-YD2022-1) (《全國藥品集中採購文件(GY-YD2022-1)》) on June 20, 2022, the Documents on National Centralized Drug Procurement (GY-YD2023-1) (《全國藥品集中採購文件(GY-YD2023-1)》) on March 2, 2023, the Documents on National Centralized Drug Procurement (GY-YD2023-2) (《全國藥品集中採購文件(GY-YD2023-2)》) on October 13, 2023, the Documents on National Centralized Drug Procurement (GY-YD2024-1) (《全國藥品集中採購文件(GY-YD2024-1)》) on March 29, 2024, and the Documents on National Centralized Drug Procurement (GY-YD2024-2) (《全國藥品集中採購文件(GY-YD2024-2)》) on November 22, 2024, to launch the sixth (Insulin specialization), seventh, eighth, ninth and tenth batches of centralized drug procurement.

Drug Distribution and Two-Invoice System

According to the Implementing Opinions on Promoting the "Two-Invoice System" for Drug Procurement By Public Medical Institutions (For Trial Implementation) (《關於在公立醫療機構藥品採購中推行「兩票制」的實施意見(試行)》) which was issued on December 26, 2016, the Two-Invoice System is a system under which invoices are issued by drug manufacturers to drug distributors on a once-off basis while invoices are issued by drug distributors to medical institutions on a once-off basis. Wholly-owned or holding commerce companies (there shall be only one commerce company throughout the country) and domestic general agents of overseas drugs (there shall be only one domestic general agent throughout the country) that are established by drug manufacturers or group enterprises integrating scientific research, manufacture, and trade to sell the drugs of these enterprise (groups) may be regarded as manufacturers. Within an enterprise that is a drug circulation group, the allocation of drugs between the group and wholly-owned (holding) subsidiaries or between wholly-owned (holding) subsidiaries should not be regarded as invoicing, but invoicing is allowed once at most.

According to the Several Opinions of the General Office of the State Council on Further Reform and Improvement in Policies of Drug Production, Circulation and Use (《國務院辦公廳關於進一步改革完善藥品生產流通使用政策的若干意見》), which was issued on January 24, 2017, on a priority basis, the Two-Invoice System would be promoted in pilot provinces (autonomous regions and municipalities directly under the Central Government) and pilot cities for public hospital reform, with the goal of having it implemented nationwide by 2018. Pharmaceutical companies must comply with the Two-Invoice System in order to engage in procurement processes with public hospitals.

Advertising of Pharmaceutical Products

Pursuant 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 promulgated by SAMR in December 2019 and came into effect on March 1, 2020, advertisements for drugs, medical devices, health food and formula food for special medical purposes shall be true and legitimate, and shall not contain any false or misleading contents. Holders of registration certificates or filing certificates of drugs, medical devices, health food and formula food for special medical purposes as well as the production enterprises and operating enterprises authorized by such holders of certificates shall be applicants for advertising (the "Applicants").

Applicants may entrust agents to apply for the review of advertisements for drugs, medical devices, health food and formula food for special medical purposes. Applicants may submit their applications at the acceptance windows of advertisement review authorities, or may submit their applications for advertisements for drugs, medical devices, health food and

formula food for special medical purposes via letters, faxes, e-mails or e-government platforms. The advertisement review authorities shall review the materials submitted by the applicant and shall complete the review within ten business days from the date of acceptance.

After review, for advertisements that are in line with laws, administrative regulations and these Measures, approval decisions of review shall be made and advertisement approval numbers shall be issued. The validity period of the advertisement approval number for drugs, medical devices, health food and formula food for special medical purposes shall be consistent with the shortest validity period of the product registration certificate, filing certificate or production license. If no valid period is prescribed in the product registration certificate, filing certificate or production license, the valid period of the advertisement approval number shall be two years.

Insert Sheet, Labels and Packaging of Pharmaceutical Products

Pursuant to the Measures for the Administration of the Insert Sheets and Labels of Drugs (《藥品說明書和標籤管理規定》), which was promulgated by SFDA and came effective on June 1, 2006, the insert sheets and labels of drugs should be reviewed and approved by the SFDA. A drug insert sheet should include the important scientific data, conclusions and information concerning drug safety and efficacy in order to direct the safe and rational use of drugs. The inner label of a drug should bear such information as the drug's name, indication or function, strength, dose and usage, production date, batch number, expiry date and drug manufacturer, and the outer label of a drug should indicate such information as the drug's name, ingredients, description, indication or function, strength, dose and usage, adverse reaction, contraindications, precautions, storage, production date, batch number, expiry date, approval number and drug manufacturer. Pursuant to the Measures for The Administration of Pharmaceutical Packaging (《藥品包裝管理辦法》) which came effective on September 1, 1988, pharmaceutical packaging must comply with the national and professional standards. If no national or professional standards are available, the enterprise can formulate its standards and put into implementation after obtaining the approval of the food and drug administration and bureau of standards at provincial level. The enterprise shall reapply with the relevant authorities if it needs to change its packaging standard. Drugs without packing standards must not be sold or traded (except for drugs for the military).

Administration of Pathogenic Microorganism Laboratories

According to the Regulations on the Bio-safety Management of Pathogenic Microbe Laboratories (《病原微生物實驗室生物安全管理條例》) promulgated by the State Council and latest amended in March 2018, the pathogenic microorganism laboratories are classified into Level 1, Level 2, Level 3 and Level 4 in accordance with its biosafety level for pathogenic microorganisms and the national standards for the bio-safety. Laboratories at Bio-safety Level 1 and Level 2 are forbidden to conduct experimental activities relating to any highly pathogenic microbes. Laboratories at Bio-safety Level 3 and Level 4 shall meet certain requirements to conduct experimental activities relating to any highly pathogenic microbes. Newly building, rebuilding or expanding of Bio-safety Level 1 or Level 2 laboratories shall file

with the relevant health administrative department or veterinary administrative department in the municipal people's government of the place where it is built. The laboratories of Bio-safety Level 3 and Level 4 shall be subject to the state accreditation for laboratories. Laboratories passing accreditation will be granted with certificates for Bio-safety Laboratories at corresponding level. The certificate will be effective for five years.

Laws and Regulations in Relation to Intellectual Property

Patent

Patents in the PRC are mainly protected by the Patent Law of the PRC (《中華人民共和國專利法》), which was promulgated by the SCNPC on March 12, 1984 and latest amended on October 17, 2020 and came into effect on June 1, 2021, and the Implementation Rules of the Patent Law of the PRC (《中華人民共和國專利法實施細則》) (the "Implementation Rules"), promulgated by the State Council on June 15, 2001 and latest amended on December 11, 2023 and came into effect on January 20, 2024. The Patent Law and the Implementation Rules provide for three types of patents, namely "invention," "utility model" and "design." "Invention" refers to any new technical solution relating to a product, a process or improvement thereof; "utility model" refers to any new technical solution relating to the shape, structure, or their combination, of a product, which is suitable for practical use; and "design" refers to any new design of the shape, pattern, color or the combination of any two of them, of a product, which creates an aesthetic feeling and is suitable for industrial application. The duration of a patent right for "invention" is twenty (20) years; the duration of a patent right for "utility model" is ten (10) years; and the duration of a patent right for "design" is fifteen (15) years, all of which duration are from the date of application. According to the Patent Law of the PRC, for the purpose of public health, the patent administrative department of the State Council may grant mandatory licensing for patented drugs manufactured and exported to countries or regions which comply with the provisions of the relevant international treaty participated by the PRC.

The newly amended Patent Law of the PRC introduces patent extensions to patents of new drugs that launched in the PRC, and 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 (5) years, and the total valid patent term after the new drug is approved for the market shall not exceed fourteen (14) years. Such newly adopted patent term extension rule benefits the Company through providing longer protection terms of patents applied or registered in the PRC and related to our product candidates. During the compensated extension period of the patent term of the patent for invention related to a new drug, the scope of protection of the patent is limited to the new drug and the technical solutions related to the approved indications of the new drug. Within the scope of protection, the rights and obligations of the patentee remain the same as before the compensated extension period.

Trademarks

Registered trademarks in the PRC are mainly protected by the Trademark Law of the PRC (《中華人民共和國商標法》), which was promulgated by the SCNPC on August 23, 1982 and latest amended on April 23, 2019 and came into effect on November 1, 2019, and the Implementation Rules of the Trademark Law of the PRC (《中華人民共和國商標法實施條例》), which were promulgated by the State Council on August 3, 2002 and latest amended on April 29, 2014 and came into effect on May 1, 2014. The Trademark Office is responsible for the registration and administration of trademarks throughout China and grants a term of ten (10) years to registered trademarks. When it is necessary to continue using the registered trademark upon expiration of period of validity, a trademark registrant shall make an application for renewal within twelve (12) months before the expiration in accordance with the requirements. If such an application cannot be filed within that period, an extension period of six months may be granted. The period of validity for each renewal of registration shall be ten (10) years as of the next day of the previous period of validity. If the formalities for renewal have not been handled upon expiration of period of validity, the registered trademarks will be deregistered.

Domain Names

Domain names are regulated under the Administrative Measures on the Internet Domain Names (《互聯網域名管理辦法》) issued by the MIIT, on August 24, 2017 and effective from November 1, 2017. The MIIT is the main regulatory authority responsible for the administration of the PRC internet domain names. Domain names registrations are handled through domain name service agencies established under the relevant regulations, and the applicants become domain name holders upon successful registration.

Trade Secret

According to the Anti-Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》) promulgated by SCNPC, as amended and effective as of April 23, 2019, the term "trade secrets" refers to technical and business information that is unknown to the public, has utility, may create business interests or profits for its legal owners or holders, and is maintained as a secret by its legal owners or holders. Under the Anti-Unfair Competition Law of the PRC, business persons are prohibited from infringing others' trade secrets by: (i) acquiring a trade secret from the right holder by theft, bribery, fraud, coercion, electronic intrusion, or any other means; (ii) disclosing, using, or allowing another person to use a trade secret acquired from the right holder by any means as specified in the item (i) above; (iii) disclosing, using, or allowing another person use a trade secret in its possession, in violation of its confidentiality obligation or the requirements of the right holder for keeping the trade secret confidential; (iv) abetting a person, or tempting another person into or in acquiring, disclosing, using, or allowing another person to use the trade secret of the right holder in violation of his or her non-disclosure obligation or the requirements of the right holder for keeping the trade secret confidential. If a third party knows or should have known of the above-mentioned illegal conduct but nevertheless obtains, uses or discloses trade secrets of others, the third party may be deemed

to have committed a misappropriation of the others' trade secrets. The parties whose trade secrets are being misappropriated may petition for administrative corrections, and regulatory authorities may stop any illegal activities and impose fine on the infringing parties.

The Company Law and Regulations

The Company Law, which was amended by the SCNPC on December 29, 2023 and became effective on July 1, 2024, provides for the establishment, corporate structure and corporate management of companies, which also applies to foreign-invested enterprises in the PRC.

Regulations in Relation to Foreign Direct Investment

Since January 1, 2020, the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the "Foreign Investment Law") promulgated by the National People's Congress of the PRC (the "NPC of the PRC") has come into effect. The Law of the PRC on Sino-Foreign Equity Joint Ventures and the Law of the PRC on Wholly Foreign-Owned and Law of the PRC on Sino-Foreign Cooperative Joint Ventures were abolished at the same time. Since then, the Foreign Investment Law has become the basic law regulating foreign-invested enterprises wholly or partially invested by foreign investors. While the organization form, institutional framework and standard of conduct of foreign-invested enterprises shall be subject to the provisions of the Company Law and other laws. The PRC government implements the management system of pre-entry national treatment and the Negative List for foreign investment abolished the original approval and filing administration system for the establishment and change of foreign-invested enterprises. Pre-entry national treatment refers to the treatment accorded to foreign investors and their investments at the stage of investment entry which is no less favorable than the treatment accorded to domestic investors and their investments. Negative List refers to a special administrative measure for the entry of foreign investment in specific sectors as imposed by the PRC. The PRC accords national treatment to foreign investment outside of the Negative List. The current Negative List is the Special Management Measures (Negative List) for the Access of Foreign Investment (2024 Revision) (《外商投資准入特別管理措施(負面清單)(2024年版)》) issued by the NDRC and the MOFCOM on September 6, 2024 and came into effect on November 1, 2024, which lists the special management measures for foreign investment access for industries regulated by the Negative List, such as equity requirements and senior management requirements. While strengthening investment promotion and protection, the Foreign Investment Law further regulates foreign investment management and proposes the establishment of a foreign investment information reporting system that replaces the original foreign investment enterprise approval and filing system of the MOFCOM.

The foreign investment information reporting is subject to the Foreign Investment Information Reporting Method (《外商投資信息報告辦法》) jointly developed by the MOFCOM and the SAMR, which came into effect on January 1, 2020. According to the Foreign Investment Information Reporting Method, the MOFCOM is responsible for coordinating and guiding the reporting of foreign investment information nationwide. The

competent commercial department of the local people's government at or above the county level, as well as the relevant agencies of the Pilot Free Trade Zone and the National Economic and Technological Development Zone, are responsible for reporting information on foreign investment in the region. Foreign investors who directly or indirectly carry out investment activities in China shall submit investment information to the competent commercial department through the enterprise registration system and the National Enterprise Credit Information Publicity System and the reporting methods include initial reports, change reports, cancelation reports, and annual reports. Foreign investors who establish foreign invested enterprises in China or acquire domestic non-foreign-invested enterprises through equity merger and acquisition shall submit initial reports through the enterprise registration system when applying for the registration of the establishment of foreign-invested enterprises or applying for the registration of the change of the acquired enterprises. If the change in the information of initial reports involves registration or filing of the change of enterprises, foreign-invested enterprises shall submit change reports through the enterprise registration system when applying for the registration or filing of change of enterprises. If the change in the information of initial reports does not involve registration or filing of the change of enterprises, foreign-invested enterprises shall submit change reports through the enterprise registration system within twenty (20) business days after the change. Foreign-invested listed companies may report information on changes in investors and their shareholdings only when the cumulative change in the foreign investors' shareholding ratio exceeds 5% or the foreign parties' shareholding or relative holding status has changed.

Regulations on The Security Review of Foreign Investment

On December 19, 2020, the NDRC and the MOFCOM jointly promulgated the Measures on the Security Review of Foreign Investment (《外商投資安全審查辦法》), effective on January 18, 2021, setting forth provisions concerning the security review mechanism on foreign investment, including the types of investments subject to review, the scopes of review and procedures to review, among others.

Regulations in Relation to Product Liability

The Product Quality Law of the PRC (《中華人民共和國產品質量法》), promulgated by the SCNPC on February 22, 1993 and latest amended on December 29, 2018 (the "Product Quality Law"), is the principal governing law relating to the supervision and administration of product quality. According to the Product Quality Law, manufacturers shall be liable for the quality of products produced by them and sellers shall take measures to ensure the quality of the products sold by them. A manufacturer shall be liable to compensate for any bodily injuries or damage to property other than the defective product itself resulting from the defects in the product, unless the manufacturer is able to prove that: (1) the product has never been circulated; (2) the defects causing injuries or damage did not exist at the time when the product was circulated; or (3) the science and technology at the time when the product was circulated were at a level incapable of detecting the defects. A seller shall be liable to compensate for any bodily injuries or damage to property of others caused by the defects in the product if such

defects are attributable to the seller. A seller shall pay compensation if it fails to indicate neither the manufacturer nor the supplier of the defective product. A person who is injured or whose property is damaged by the defects in the product may claim for compensation from the manufacturer or the seller.

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

The Law of the PRC on the Protection of the Rights and Interests of Consumers (《中華人民共和國消費者權益保護法》) was promulgated on October 31, 1993 and latest amended on October 25, 2013 and came into effect on March 15, 2014 to protect consumers' rights when they purchase or use goods and accept services. All business operators must comply with this law when they manufacture or sell goods and/or provide services to customers. All business operators must pay high attention to protecting customers' privacy and must strictly keep confidential any consumer information they obtain during their business operations.

Regulations in Relation to Production Safety

The Production Safety Law of the PRC (《中華人民共和國安全生產法》), promulgated by the SCNPC on June 29, 2002 and latest amended on June 10, 2021 and came into effect on September 1, 2021, is the basic law for governing production safety. It provides that, any entity whose production safety conditions do not meet the requirements may not engage in production and business operation activities. The production and business operation entities shall educate and train employees regarding production safety so as to ensure that the employees have the necessary knowledge of production safety, are familiar with the relevant regulations and rules for safe production and the rules for safe operation, master the skills of safe operation in their own positions, understand the emergency measures, and know their own rights and duties in terms of production safety. Employees who fail the education and training programs on production safety may not commence working in their positions. Safety facilities of new building, rebuilding or expanding project (the "construction project") shall be designed, constructed and put into operation simultaneously with the main body of the project. Investment in safety facilities shall be included in the budget of the construction project.

Regulations in Relation to Environmental Protection and Fire Safety

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 December 26, 1989 and latest amended on April 24, 2014 and came into effect on January 1, 2015, 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 October 28, 2002 and latest amended on December 29, 2018, and the Administrative Regulations on the

Environmental Protection of Construction Project (《建設項目環境保護管理條例》), promulgated by the State Council on November 29, 1998 and latest amended on July 16, 2017 and came into effect on October 1, 2017, enterprises which plan to construct projects shall engage qualified professionals to provide the assessment reports, assessment form, or registration form on the environmental impact of such projects. The assessment reports, assessment form, or registration form shall be filed with or approved by the relevant environmental protection bureau prior to the commencement of any construction work.

Enterprises that engage in the activities of industry, construction, catering, and medical treatment, etc. that discharges sewage into urban drainage facilities shall apply to the relevant competent urban drainage department for the permit for discharging sewage into drainage pipelines under relevant laws and regulations, including the Regulations on Urban Drainage and Sewage Disposal (《城鎮排水與污水處理條例》), which was promulgated on October 2, 2013 and came into force on January 1, 2014, and the Measures for the Administration of Permits for the Discharge of Urban Sewage into the Drainage Network (《城鎮污水排入排水管網許可管理辦法》), which was promulgated on January 22, 2015 and last amended on December 1, 2022 and took effect on February 1, 2023. Drainage entities covered by urban drainage facilities shall discharge sewage into urban drainage facilities in accordance with the relevant provisions of the State. Where a drainage entity needs to discharge sewage into urban drainage facilities, it shall apply for a drainage license in accordance with the provisions of these Measures. The drainage entity that has not obtained the drainage license shall not discharge sewage into urban drainage facilities.

According to the Administrative Measures on Pollutant Discharge Permit issued by the Ministry of Ecology and Environment on April 1, 2024 and came into effect on July 1, 2024, enterprises, public institutions and other producers and operators that are subject to the administration of pollutant discharge permits shall apply for pollutant discharge permit and discharge pollutants in accordance with the requirements of the pollutant discharge permit; and those who have not obtained the pollutant discharge permits shall not discharge pollutants. According to the Classification Management List for Fixed Source Pollution Permits (2019 Edition) (《固定污染源排污許可分類管理名錄(2019年版)》), the manufacturing of biological drugs and products falls into the classification management scope for fixed source pollution permits.

According to the Fire Safety Law of the PRC (《中華人民共和國消防法》) promulgated by the SCNPC in April 1998, last amended and effective on April 29, 2021, and the Interim Provisions on Administration of Fire Protection Design Review and Acceptance of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》) (the "Interim Provisions") promulgated by the Ministry of Housing and Urban-Rural Development on April 1, 2020, and last amended on August 21, 2023, the fire protection design or construction of a construction project must conform to the national fire protection technical standards for project construction and construction projects shall undergo the fire protection design review and acceptance system. The special construction projects as defined in the Interim Provisions must apply to the fire control department for fire protection design review, and complete the fire protection acceptance procedures after the completion of the construction project. The

construction unit of other construction projects must complete the fire protection filing of the fire protection design and the completion acceptance within five (5) business days after the completion acceptance of the construction project. If a construction project fails to pass the fire safety inspection before it is put into use, or does not meet the fire safety requirements after the inspection, it will be ordered to suspend the construction and use of such project, or suspend production and business, and be imposed a fine.

Regulations in Relation to Prevention and Control of Occupational Diseases

The Prevention and Control of Occupational Diseases Law of the PRC (《中華人民共和國職業病防治法》), which was promulgated by the SCNPC on October 27, 2001 and latest amended on December 29, 2018 (the "Prevention and Control of Occupational Diseases Law"), is the basic law for the prevention and control of occupational diseases. According to the Prevention and Control of Occupational Diseases Law, budget for facilities for the prevention and control of occupational diseases of a construction project shall be included in the budget of the project and those facilities shall be designed, constructed and put into operation simultaneously with the main body of the project. The entity that takes charge of the project should carry out the assessment of the effectiveness of measures for the prevention and control of occupational diseases before the final acceptance of the construction project. In addition, employers shall take required administrative measures to prevent and control occupational diseases in work.

Regulations in Relation to Employment and Social Securities

Pursuant to the Labor Law of the PRC (《中華人民共和國勞動法》), promulgated by the SCNPC on July 5, 1994 and latest amended on December 29, 2018 and the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), promulgated by the SCNPC on June 29, 2007 and latest amended on December 28, 2012 and came into effect on July 1, 2013, employers shall execute written labor contracts with full-time employees. All employers shall comply with local minimum wage standards. Employers shall establish a comprehensive management system to protect the rights of their employees, including a system governing occupational health and safety to provide employees with occupational training to prevent occupational injury, and employers are required to truthfully inform prospective employees of the job description, working conditions, working location, occupational hazards, and status of safe production as well as remuneration and other conditions.

According to the Social Security Law of the PRC (《中華人民共和國社會保險法》), which was promulgated on 28 October 2010 and amended on 29 December 2018, an employer is required to make contributions to social insurance schemes for its employees, including basic pension insurance, basic medical insurance, unemployment insurance, maternity insurance and work-related injury insurance. If the employer fails to make social insurance contributions in full and on time, the social insurance authorities may demand the employer to make payments or supplementary payments for the unpaid social insurance premium within a

prescribed time limit together with a 0.05% surcharge of the unpaid social insurance premium from the due date. If the payment is not made within such time limit, the relevant administrative authorities will impose a fine ranging from one to three times the total outstanding amount.

According to the Reform Plan of the State Tax and Local Tax Collection Administration System (《國税地税徵管體制改革方案》), which was promulgated on 20 July 2018, commencing from 1 January 2019, all the social insurance premiums including the premiums of the basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance shall be collected by the tax authorities. According to the Notice on Conducting the Relevant Work Concerning the Administration of Collection of Social Insurance Premiums in a Steady, Orderly and Effective Manner (《關於穩妥有序做好社會保險費徵管有關工作的通知》) promulgated by the General Office of the State Administration of Taxation on 13 September 2018 and the Urgent Notice on Implementing the Spirit of the Executive Meeting of the State Council in Stabilizing the Collection of Social Security Contributions (《關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》) promulgated by the General Office of the Ministry of Human Resources and Social Security on 21 September 2018, all the local authorities responsible for the collection of social insurance are strictly forbidden to conduct self-collection of historical unpaid social insurance contributions from enterprises. The Notice on Implementing Measures to Further Support and Serve the Development of Private Economy (《關於實施進一步支持和服務民營經濟發展若干措施的通知》), promulgated by the State Taxation Administration on 16 November 2018, repeats that tax authorities at all levels may not organize self-collection of arrears of taxpayers including private enterprises from the previous years. The Notice of General Office of the State Council on Promulgation of the Comprehensive Plan for the Reduction of Social Insurance Premium Rate (《國務院辦公廳關於印發降低社會保險費率綜合方案的通知》), promulgated on 1 April 2019, requires steady advancement of the reform of the system of social security collection. In principle, the basic pension insurance for enterprise employees and other insurance types for enterprise employees shall be collected temporarily according to the existing collection system to stabilize the payment method. It also emphasizes that the historical unpaid arrears of the enterprise shall be properly treated. In the process of reformation of the collection system, it is not allowed to conduct self-collection of historical unpaid arrears from enterprises, and it is not allowed to adopt any method of increasing the actual payment burden of small and micro enterprises to avoid causing difficulties in the production and operation of the enterprises.

According to the Administrative Regulations on Housing Provident Funds (《住房公積金管理條例》), which was promulgated on 3 April 1999 and latest amended on 24 March 2019, employers are required to make contribution to housing provident funds for their employees. Where an employer fails to pay up housing provident funds, the housing provident fund administration center may order it to make payment within a prescribed time limit. If the employer still fails to do so, the housing provident fund administration center may apply to the court for compulsory enforcement of the unpaid amount.

Regulations in Relation to Information Security and Data Privacy

Data Security and Export

The NPCSC promulgated the Data Security Law of the People's Republic of China (《中華人民共和國數據安全法》), on June 10, 2021 (effective from September 1, 2021), for the establishment of a data classification and grading protection system to conduct classified and hierarchical protection of data. Entities engaged in data processing activities shall, in accordance with laws and regulations, establish a sound full-process data security management system, organize data security education and training, and take corresponding technical measures and other necessary measures to ensure data security.

According to the Measures for Security Assessment of Data Export (《數據出境安全評估辦法》) issued by the Cyberspace Administration of China on July 7, 2022 and came into effect on September 1, 2022, a data processor that provides data overseas under any of the following circumstances shall apply to the national cyberspace administration for the security assessment of the outbound data transfer through local provincial cyberspace administration: (i) a data processor provides important data abroad; (ii) the critical information infrastructure operator or the data processor that has processed the personal information of more than 1 million people provides personal information abroad; (iii) the data processor that has provided the personal information of over 100,000 people or the sensitive personal information of over 10,000 people cumulatively since January 1 of the previous year provides personal information abroad.; and (iv) any other circumstance where an application for the security assessment of outbound data transfer is required by the national cyberspace administration.

According to the Measures for Standard Contract for Outbound Transfer of Personal Information (《個人信息出境標準合同辦法》) issued by the Cyberspace Administration of China on February 22, 2023 and effective from June 1, 2023, to provide personal information to an overseas recipient through the conclusion of the standard contract, a personal information processor shall meet all of the following circumstances: (i) it is not a critical information infrastructure operator; (ii) it has processed the personal information of less than one million individuals; (iii) it has cumulatively provided the personal information of fewer than 100,000 individuals to overseas recipients since January 1 of the previous year; and (iv) it has cumulatively provided the sensitive personal information of fewer than 10,000 individuals since January 1 of the previous year.

According to the Provisions on Facilitating and Regulating Cross-border Data Flows (《促進和規範數據跨境流動規定》), a data handler that is not a critical information infrastructure operator, will be exempted from declaring for security assessment for outbound data transfer, signing a standard contract with overseas recipient or passing the personal protection certification, if such data handler accumulatively transfers overseas ordinary personal information of less than 100,000 individuals since the January 1 of the current year.

Personal Information Protection

According to the Civil Code (《民法典》), personal information of natural persons is protected by law. If any organization or individual needs to obtain other people's personal information, they should obtain it in accordance with the law and ensure the security of the information. They must not illegally collect, use, process, or transmit other people's personal information, and must not illegally buy, sell, provide, or disclose the information. The Personal Information Protection Law of the People's Republic of China promulgated by the NPCSC on August 20, 2021 and implemented on November 1, 2021, further emphasizes the obligations and responsibilities of processors for the protection of personal information, and requests higher level of protective measures on the processing of sensitive personal information.

According to the Cybersecurity Law of the People's Republic of China (《中華人民共和國網絡安全法》) promulgated by the NPCSC on November 7, 2016 and effective on June 1, 2017, network operators must follow the principles of legality, legitimacy and necessity when collecting and using personal information, and publicly disclose the rules for collection and use, clearly state the purpose, method and scope of collecting and using information, and obtain the consent of the person whose data is being collected. Network operators shall not collect personal information unrelated to the services they provide. Network operators are not allowed to leak, tamper with, or damage the personal information they collect; they are not allowed to provide personal information to others without the consent of the person whose data is being collected. However, this does not apply to cases where a specific individual cannot be identified and the identity cannot be recovered after processing. Network operators should take technical measures and other necessary measures to ensure the security of the personal information they collect and prevent leakage, damage and loss of information.

Laws and Regulations in Relation to Anti-Bribery

According to the Anti-Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》) promulgated by SCNPC, as amended and effective as of April 23, 2019, and the Interim Provisions on the Prohibition of Commercial Bribery (《關於禁止商業賄賂行為的暫行規定》) promulgated by the SAIC on November 15, 1996, any business operator shall not provide or promise to provide economic benefits (including cash, other property or by other means) to a counter-party in a transaction or a third party that may be able to influence the transaction, in order to entice such party to secure a transactional opportunity or competitive advantages for the business operator. Any business operator breaching the relevant anti-bribery rules above-mentioned may be subject to administrative punishment or criminal liability depending on the seriousness of the cases.

Pursuant to the Provisions on the Establishment of Adverse Records of Commercial Briberies in the Medicine Purchase and Sales Industry (《關於建立醫藥購銷領域商業賄賂不良記錄的規定》), which was promulgated by the National Health and Family Planning Commission (currently the NHC) and came into effect on March 1, 2014, any medicine production and operation enterprises or agents that are involved in criminal, investigational or administrative procedures for commercial bribery will be listed in the adverse records of commercial briberies by the relevant government authorities, as a result of which, for two years

from the date the list of adverse records of commercial briberies is published, (i) their products cannot be purchased by public medical institutions or medical and health institutions receiving financial subsidies within the relevant provinces, and (ii) the scores of their products in the centralized tender processes of public medical institutions or medical and health institutions receiving financial subsidies in other provinces will be reduced. As for those enterprises or agents listed in adverse records twice within five years, their products cannot be purchased by public medical institutions or medical and health institutions receiving financial subsidies throughout China for two years from the date the list of adverse records of commercial briberies is published.

REGULATIONS ON TAXATION

Enterprise Income Tax

According to the EIT Law, which was promulgated by the SCNPC and was latest amended on December 29, 2018, and the *Regulation on the Implementation of the EIT Law*, which was promulgated by the State Council and was latest amended in April 2019, a uniform 25% enterprise income tax rate is imposed on both foreign invested enterprises and domestic enterprises, except where tax incentives are granted to special industries and projects. The enterprise income tax rate is reduced to 20% for qualifying small low-profit enterprises. The high-tech enterprises that need full support from the PRC's government will enjoy a reduced tax rate of 15% for enterprise income tax.

Value-added Tax

Pursuant to the Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值税暫行條例》), which was promulgated by the State Council and was latest amended on November 19, 2017, and the Implementation Rules for the Provisional Regulations 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 and was latest amended on October 28, 2011 and effective from November 1, 2011, entities and individuals engaging in selling goods, providing processing, repairing or replacement services or importing goods within the territory of the PRC are taxpayers of the VAT.

According to the Notice of the Ministry of Finance and the State Taxation Administration on the Adjusting Value-added Tax Rates (《財政部税務總局關於調整增值税税率的通知》) effective in May 2018, the VAT rates of 17% and 11% on sales, imported goods shall be adjusted to 16% and 10%, respectively.

According to the Announcement of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs on Relevant Policies for Deepening the Value-Added Tax Reform (《財政部税務總局海關總署關於深化增值税改革有關政策的公告》) promulgated on March 20, 2019 and effective from April 1, 2019, the VAT rates of 16% and 10% on sales, imported goods shall be adjusted to 13% and 9%, respectively.

According to the Provisional Regulations of the People's Republic of China on Value-added Tax (《中華人民共和國增值税暫行條例》) promulgated on and effective from November 19, 2017, the tax rate for taxpayers engaging in sale of services and intangible assets shall be 6%, unless otherwise stipulated under this regulation.

According to the Notice on the Application of Low Value Added Tax Rates and Simplified Methods for Collecting Value Added Tax on Some Goods (《關於部分貨物適用增值税低税率和簡易辦法徵收增值税政策的通知》) promulgated by the Ministry of Finance and the State Administration of Taxation on 19 January 2009, and was revised on 25 May 2012 and 13 June 2014 respectively, VAT general taxpayers who sell self-produced biological products made from microorganisms, microbial metabolites, animal toxins, human or animal blood or tissues may choose to compute and pay VAT at a rate of 3% under the simplified method.

According to the Notice on VAT Policies for Anti-cancer Drugs (《關於抗癌藥品增值税政策的通知》) promulgated on April 27, 2018 by the Ministry of Finance, the General Administration of Customs, the State Administration of Taxation and the NMPA, VAT general taxpayers engaging in manufacturing and sale, wholesale and retail of anti-cancer drugs may opt to compute and pay VAT at the tax rate of 3% under the simplified method.

REGULATIONS ON FOREIGN EXCHANGE

Foreign Exchange Regulation

On January 29, 1996, the State Council promulgated the Administrative Regulations on Foreign Exchange of the PRC (《中華人民共和國外匯管理條例》) which became effective on April 1, 1996 and was amended on January 14, 1997 and August 5, 2008. Foreign exchange payments under current account items shall, pursuant to the administrative provisions of the foreign exchange control department of the State Council on payments of foreign currencies and purchase of foreign currencies, be made using self-owned foreign currency or foreign currency purchased from financial institutions engaging in conversion and sale of foreign currencies by presenting the valid document. Domestic entities and domestic individuals making overseas direct investments or engaging in issuance and trading of overseas securities and derivatives shall process registration formalities pursuant to the provisions of the foreign exchange control department of the State Council.

On November 19, 2012, the SAFE issued the Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment (《關於進一步改進和調整直接投資外匯管理政策的通知》), or the SAFE Circular 59, which came into effect on December 17, 2012 and was revised on May 4, 2015, October 10, 2018 and partially abolished on December 30, 2019. The SAFE Circular 59 aims to simplify the foreign exchange procedure and promote the facilitation of investment and trade. According to the SAFE Circular 59, the opening of various special purpose foreign exchange accounts, such as pre-establishment expenses accounts, foreign exchange capital accounts and guarantee accounts, the reinvestment of RMB proceeds derived by foreign investors in the PRC, and remittance of foreign exchange profits and dividends by a foreign-invested enterprise to its foreign shareholders no longer

require the approval or verification of SAFE, multiple capital accounts for the same entity may be opened in different provinces as well. Later, the SAFE promulgated 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》) in February 2015, which was partially abolished in December 2019, 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.

On May 10, 2013, the SAFE issued the Administrative Provisions on Foreign Exchange in Domestic Direct Investment by Foreign Investors (《外國投資者境內直接投資外匯管理規定》), or the SAFE Circular 21, which became effective on May 13, 2013, amended on October 10, 2018 and partially abolished on December 30, 2019. The SAFE Circular 21 specifies that the administration by SAFE or its local branches over direct investment by foreign investors in the PRC must be conducted by way of registration and banks must process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches.

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

According to the Notice of the State Administration of Foreign Exchange on Reforming the Management Mode of Foreign Exchange Capital Settlement of Foreign Investment 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》), or the SAFE Circular 19 promulgated on March 30, 2015, coming effective on June 1, 2015 and partially abolished on December 30, 2019 and March 23, 2023, foreign-invested enterprises could settle their foreign exchange capital on a discretionary basis according to the actual needs of their business operations. Whilst, foreign-invested enterprises are prohibited to use the foreign exchange capital settled in RMB (a) for any expenditures beyond the business scope of the foreign-invested enterprises or forbidden by laws and regulations; (b) for direct or indirect securities investment; (c) to provide entrusted loans (unless permitted in the business scope), repay loans between enterprises (including advances by third parties) or repay RMB bank loans that have been on-lent to a third party; and (d) to purchase real estates not for self-use purposes (save for real estate enterprises).

On June 9, 2016, SAFE issued the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account (《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》), or the SAFE Circular 16, which came into effect on the same day and partially amended on December 4, 2023 and effective since then. The SAFE Circular 16 provides that discretionary foreign exchange settlement applies to foreign exchange capital, foreign debt offering proceeds and remitted foreign listing proceeds, and the corresponding RMB capital converted from foreign exchange may be used to extend loans to related parties or repay inter-company loans (including advances by third parties). However, there remain substantial uncertainties with respect to SAFE Circular 16's interpretation and implementation in practice.

On October 23, 2019, SAFE promulgated the Notice on Further Facilitating Cross-Board Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), which became effective on the same date (except for Article 8.2, which became effective on January 1, 2020), and partially amended on December 4, 2023 and effective since then. The notice canceled restrictions on domestic equity investments made with capital funds by non-investing foreign-funded enterprises. In addition, restrictions on the use of funds for foreign exchange settlement of domestic accounts for the realization of assets have been removed and restrictions on the use and foreign exchange settlement of foreign investors' security deposits have been relaxed. Eligible enterprises in the pilot area are also allowed to use revenues under capital accounts, such as capital funds, foreign debts and overseas listing revenues for domestic payments without providing materials to the bank in advance for authenticity verification on an item-by-item basis, while the use of funds should be true, in compliance with applicable rules and conforming to the current capital revenue management regulations.

According to the Circular on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business (《關於優化外匯管理支持涉外業務發展的通知》) issued by the SAFE on April 10, 2020, eligible enterprises are allowed to make domestic payments by using their capital funds, foreign credits and the income under capital accounts of overseas listing, without submitting the evidentiary materials concerning authenticity of such capital for banks in advance, provided that their capital use is authentic and in compliance with administrative regulations on the use of income under capital accounts. The bank in charge shall conduct post spot checking in accordance with the relevant requirements.

Regulations in Relation to Overseas Securities Offering and Listing by Domestic Companies

According to the Overseas Listing Trial Measures issued by the CSRC on February 17, 2023 and effective from March 31, 2023, where a domestic company seeks overseas securities issuance and listing, the issuer shall file with the CSRC in accordance with the Overseas Listing Trial Measures. If an issuer procures an overseas initial public offering or listing, it shall file with the CSRC within three (3) business days after submitting application documents for overseas securities issuance and listing.

According to the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) jointly issued by the CSRC and other departments on February 24, 2023 and effective on March 31, 2023, in the overseas offering and listing activities of domestic enterprises, domestic enterprises, and securities companies and securities service institutions that provide corresponding services shall strictly comply with the applicable laws and regulations of the People's Republic of China and satisfy the requirements of these Provisions, enhance the legal awareness of safeguarding state secrets and strengthening archives administration, establish and improve the confidentiality and archives work system, and take necessary measures to fulfill the confidentiality and archives administration obligations, and shall not divulge state secrets or work secrets of state organs, or harm the interests of the state or the public. A domestic enterprise that, either directly or through its overseas listed entity, publicly discloses or provides to relevant securities companies, securities service institutions, overseas regulators, and other entities and individuals, any documents and materials that involve state secrets or work secrets of state organs, shall obtain approval from the competent department with the power of examination and approval according to the law, and report to the administrative department of confidentiality at the same level for filing. A domestic enterprise that, either directly or through its overseas listed entity, publicly discloses or provides to relevant securities companies, securities service institutions, overseas regulators, and other entities and individuals, other documents and materials whose divulgence will have adverse impact on national security or public interest, shall strictly undergo the relevant procedures in accordance with the relevant regulations of the state.

OVERVIEW

Our history can be traced back to the early 1970s, when Lianyungang Pharmaceutical Factory (連雲港製藥廠), the predecessor of our Company, was established to primarily produce active pharmaceutical ingredients. Our Company was established as a joint stock limited company in April 1997, and subsequently listed on the Shanghai Stock Exchange (stock code: 600276) in October 2000.

Building on our decades of operations, we have become a leading global innovative pharmaceutical company rooted in China. We have developed an industry-leading and highly differentiated matrix of innovative products, including several potential blockbusters. As a strong validation of our innovation results, we had a leading position among Chinese pharmaceutical companies, in terms of revenue from NME drugs in 2023 and the number of NME drug candidates in clinical or later stages of development as of the Latest Practicable Date, according to Frost & Sullivan.

Our innovations are continuously fueled by our leading technology platforms, with support from our 14 R&D centers strategically located around the world. In recent years, through overseas clinical studies, product commercialization in overseas markets and out-licensing transactions, we have been accelerating our global expansion to unlock and maximize the potential of our product matrix and technology platforms, which has substantially enhanced our global presence and industry recognition.

OUR KEY MILESTONES

The following table sets out a summary of the key milestones in our corporate and business development:

Year	Event
Early 1970s	Lianyungang Pharmaceutical Factory (連雲港製藥廠), the predecessor of our Company, was officially established.
1987	Our successful development of the first oncology drug, etoposide, signified a breakthrough in the field of oncology drugs.
2000	Shanghai Hengrui R&D Center was established.
	Our Company was listed on the Shanghai Stock Exchange (stock code: 600276) in October 2000.
2005	Hengrui New Jersey R&D Center was established in the U.S.

Year	Event
2011	Our first innovative drug, imrecoxib, was approved for marketing.
	Our oncology drug, irinotecan, was approved for marketing in the U.S., making our Company the first Chinese pharmaceutical company to have an injectable approved for marketing in the U.S.
2017	Our oncology drug, docetaxel, was approved for marketing in the U.S. and designated as a reference standard by the U.S. FDA.
2019	Our innovative drug, camrelizumab, was approved for marketing.
	We have been ranked as one of the global Top 50 pharmaceutical companies by Pharm Exec for six consecutive years since 2019.
2023	We entered into a strategic collaboration and license agreement with a fully owned subsidiary of Merck KGaA, Darmstadt, Germany.
2024	We entered into a collaboration and license agreement with each of Kailera Therapeutics and IDEAYA Biosciences.

MAJOR SHAREHOLDING CHANGES OF OUR COMPANY

Incorporation of our Company and Listing on the Shanghai Stock Exchange

In April 1997, our Company was established in the PRC as a joint stock limited company with an initial registered share capital of RMB61.9 million. The registered capital was contributed by five promoters, including Lianyungang Hengrui Group Co., Ltd. (連雲港恒瑞集團有限公司) ("Lianyungang Hengrui"), our Company's largest shareholder at the time.

In October 2000, we completed the initial public offering and listing of our A Shares on the Shanghai Stock Exchange (stock code: 600276), pursuant to which we issued an aggregate of 40 million A Shares, accounting for approximately 30.1% of our Company's share capital immediately following the A Share listing. Following the A Share listing, Lianyungang Hengrui remained as our Company's largest shareholder.

Equity Transfer to Hengrui Group

On March 22, 2003, Lianyungang Hengrui entered into equity transfer agreements with several transferees including Hengrui Group. Upon completion of the transfers pursuant to the aforementioned agreements in October 2003, among others, Lianyungang Hengrui transferred 69,252,048 A Shares to Hengrui Group, representing approximately 27.2% of our Company's then share capital. Since then, Hengrui Group has remained as our Company's largest shareholder. Further, Mr. Sun Piaoyang, currently the chairman of the Board and an executive Director of our Company, became the largest shareholder of Hengrui Group in June 2006 and has remained as such since then.

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

We had not carried out any major acquisitions, disposals or mergers during the Track Record Period and up to the Latest Practicable Date.

OUR MAJOR SUBSIDIARIES

Details of the major subsidiaries of our Company which, among other things, made a material contribution to our results of operations during the Track Record Period, are set out below.

Name of company	Date and place of establishment	Equity interest attributable to our Group	Principal business activities
Jiangsu Kexin Pharmaceutical Sales Co., Ltd. (江蘇科信醫藥銷售有限公司)	September 13, 2004 PRC	100%	Sale of pharmaceutical products
Shanghai Hengrui Pharmaceuticals Co., Ltd. (上海恒瑞醫藥有限公司)	December 4, 2001 PRC	100%	R&D, manufacturing and sale of pharmaceutical products
Shanghai Shengdi Pharmaceutical Co., Ltd. (上海盛迪醫藥有限公司)	April 28, 2014 PRC	100%	R&D, manufacturing and sale of pharmaceutical products
Suzhou Suncadia Biopharmaceuticals Co., Ltd. (蘇州盛迪亞生物醫藥有限公司).	September 1, 2015 PRC	100%	R&D, manufacturing and sale of pharmaceutical products
Chengdu Suncadia Medicine Co., Ltd. (成都盛迪醫藥有限公司)	March 23, 2011 PRC	95.9%	R&D, manufacturing and sale of pharmaceutical products

OUR LISTING ON THE SHANGHAI STOCK EXCHANGE AND REASONS FOR THE [REDACTED] ON THE HONG KONG STOCK EXCHANGE

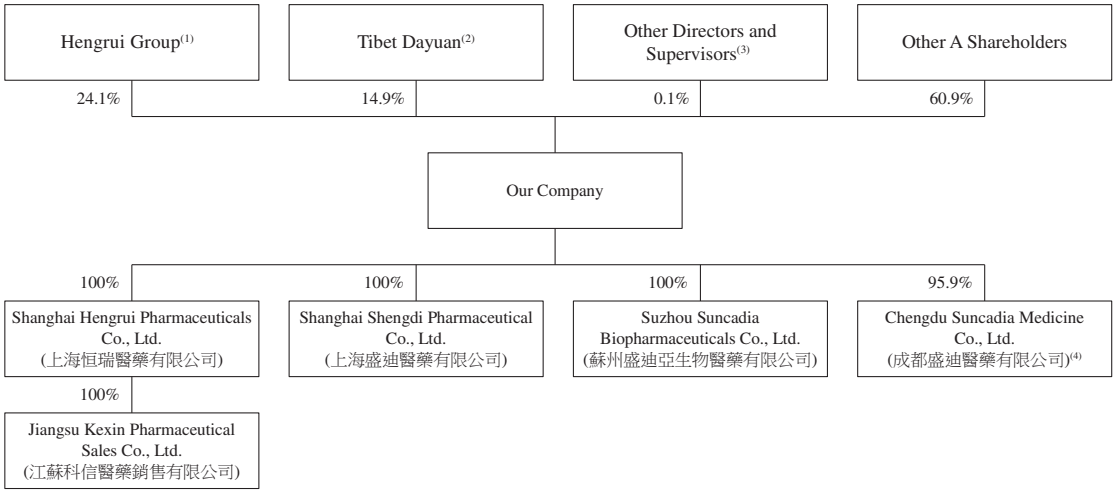
Since 2000, our Company has been listed on the Shanghai Stock Exchange. As of the Latest Practicable Date, our Directors confirmed that we had no instances of material non-compliance with the rules of the Shanghai Stock Exchange and other applicable securities laws and regulations of the PRC in any material respect and, to the best knowledge of our Directors having made all reasonable enquiries, there was no material matter that should be brought to the [**REDACTED**] attention in relation to our compliance record on the Shanghai Stock Exchange. Based on the independent due diligence conducted by the Joint Sponsors, nothing has come to the Joint Sponsors' attention that would cause them to disagree with our Directors' confirmation with regard to the compliance record of our Company on the Shanghai Stock Exchange.

Our Company seeks to be [**REDACTED**] on the [**REDACTED**] in order to provide additional capital for advancing our R&D initiatives, funding the construction, expansion and upgrade of production and R&D facilities, and general corporate purposes. See "Business—Our Strategies" and "Future Plans and [**REDACTED**]" in this document for more details.

[**REDACTED**]

OUR SHAREHOLDING AND CORPORATE STRUCTURE

The following chart depicts our simplified corporate and shareholding structure as of the Latest Practicable Date:



Notes:

1. As of the Latest Practicable Date, Hengrui Group was controlled by Mr. Sun Piaoyang (孫飄揚先生), the chairman of the Board and an executive Director of our Company.

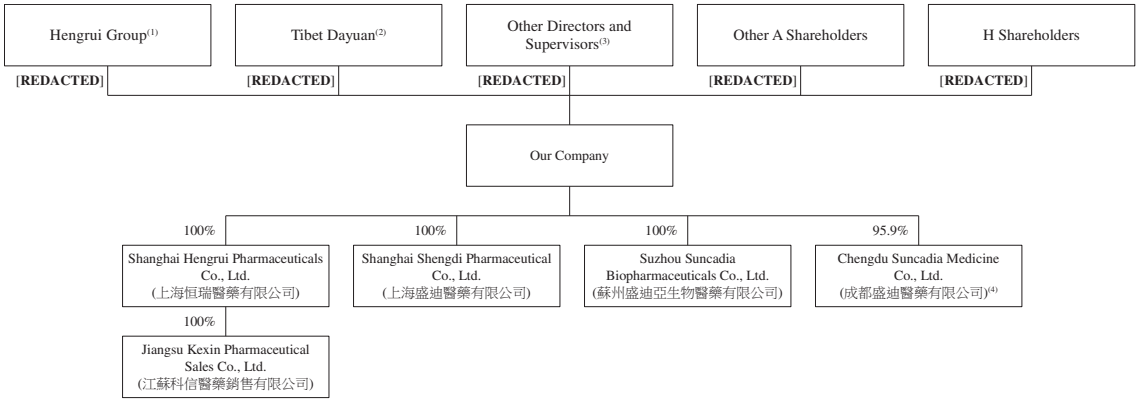
2. As of the Latest Practicable Date, Tibet Dayuan was ultimately held as to 100% by Mr. Cen Junda (岑均達先生).

3. As of the Latest Practicable Date, Mr. Dai Hongbin (戴洪斌先生) (one of our executive Directors), Mr. Zhang Lianshan (張連山先生) (one of our executive Directors), Mr. Sun Jieping (孫杰平先生) (one of our executive Directors) and Mr. Yuan Kaihong (袁開紅先生) (one of our Supervisors) each respectively held approximately 0.03%, 0.01%, 0.03% and 0.02% of the equity interest in our Company.

4. The remaining equity interest in Chengdu Suncadia Medicine Co., Ltd. is held by individuals, including Mr. Sun Piaoyang, Mr. Dai Hongbin, Mr. Zhang Lianshan, Mr. Sun Jieping, Mr. Yuan Kaihong and Ms. Jiang Sumei (蔣素梅女士) (a connected person of our Company at the subsidiary level) as to approximately 1.2%, 0.1%, 0.1%, 0.1%, 0.1% and 0.2% as of the Latest Practicable Date, respectively. The rest of the individual shareholders are Independent Third Parties and each held less than 0.7% equity interest in Chengdu Suncadia Medicine Co., Ltd. as of the Latest Practicable Date.

5. The shareholding structure is exclusive of 627,310 A Shares repurchased and held in our Company's stock repurchase account as of the Latest Practicable Date. For details, please refer to the section headed "Share Capital" and sub-section headed "Statutory and General Information—A. Further Information About Our Group—2. Changes in our share capital" in Appendix VI to this document.

The following chart depicts our simplified corporate and shareholding structure immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and no changes are made to the number of repurchased A Shares held in our Company's stock repurchase account between the Latest Practicable Date and [**REDACTED**]):



Notes (1) to (5): Please refer to the details on the preceding page.

OVERVIEW

We are a leading global innovative pharmaceutical company rooted in China. We have been ranked as one of the global Top 50 pharmaceutical companies by Pharm Exec for six consecutive years since 2019. We were also ranked 8th on the list of "Top 25 Global Pharma Companies by Pipeline Size" published by Citeline in 2024. Furthermore, as a strong validation of our innovation results, we had a leading position among Chinese pharmaceutical companies, in terms of revenue from NME drugs in 2023 and the number of NME drug candidates in clinical or later stages of development as of the Latest Practicable Date, according to Frost & Sullivan.

These achievements have been enabled by Hengrui's ecosystem, comprising great talent, organization, and culture, which underlies our research, clinical, manufacturing, and commercialization capabilities. Through decades of efforts, we have substantially transformed into a leading global pharmaceutical company focused on highly innovative therapies to address immense unmet medical needs worldwide. Our persistent R&D investments and dedicated innovation, especially since our IPO of A Shares in 2000, have contributed to the establishment of a large portfolio of differentiated innovative drugs, including several potential blockbusters. Our commitment to innovation is evidenced by our capital allocation, with our R&D expenses as a percentage of our total revenue being 21.7% in 2023.

Focus on Immense Unmet Medical Needs

We strategically focus on comprehensive therapeutic areas with significant unmet medical needs and growth potential. These mainly include: (i) oncology, (ii) metabolic and cardiovascular diseases, (iii) immunological and respiratory diseases, and (iv) neuroscience. According to Frost & Sullivan, the aggregate global pharmaceutical market of these major therapeutic areas in 2023 was US$845.8 billion, accounting for 57.4% of the overall global pharmaceutical market for the same year; and it is expected to grow at a CAGR of 6.4% from 2023 to 2028, surpassing the CAGR of 5.7% for the overall global pharmaceutical market growth during the same period.

Differentiated Innovative Product Matrix

We have developed an industry-leading and highly differentiated matrix of innovative products, including several potential blockbusters. Our oncology portfolio has strategically expanded from solid tumors to hematological malignancies and provides a comprehensive coverage of neoadjuvant, adjuvant and later lines of treatment. We also provide therapeutics for prevention and treatment of major chronic diseases. As of the Latest Practicable Date, we had a portfolio of 17 commercialized NME drugs and a pipeline of over 90 NME drug candidates in clinical or later stages of development. We expect to maintain strong growth momentum in the rollout of innovative products. For example, we submitted eight NDAs/BLAs for our innovative drugs in 2024. To demonstrate our R&D efforts and productivity, from 2022 to 2024, research and clinical studies investigating our products and product candidates resulted in 1,019 peer-reviewed papers in international academic journals, including high-impact journals such as *The Lancet*, *British Medical Journal, JAMA, Nature Medicine, and Journal of Clinical Oncology*, with a cumulative impact factor of approximately 7,173 across these publications.

Leading R&D Capabilities

Multi-pronged Approach and Leading Technology Platforms. We strategically employ a multi-pronged approach to researching and developing drug assets with varying properties for identified druggable targets. Over the decades, we have extended our research beyond small molecules to encompass a wide range of additional modalities, including PROTACs, peptides, mAbs, BsAbs, multi-specific antibodies, ADCs, and RLTs. This multi-pronged approach supported by our leading technology platforms allows us to achieve paradigm-shifting innovation and significantly shorten the lead times for identifying and validating potentially first-in-class or best-in-class compounds. Leveraging our industry foresight and 14 R&D centers strategically located around the world, we have built each of our technology platforms with robust, differentiated functionalities and capabilities across the entire process of innovative drug R&D. Notably, our Hengrui Rapid Modular ADC Platform (HRMAP) and bispecific antibody platforms—Hengrui Obscurin Titin-Ig (HOT-Ig) and Half Antibody Recombination Technology-IgG (HART-IgG)—are our proprietary platforms incorporating cutting-edge technologies that have demonstrated the ability to generate differentiated new molecules.

We make modular evolutions to our platforms and capitalize on platform synergies to rapidly iterate and optimize our conjugates as potential drug candidates. For example, through our ADC platform, we have successfully extended our research to construct a new series of "AXC" drugs, where X can be a peptide, oligonucleotide, or small molecule protein degrader. In addition, on the antibody component of these drugs, we are utilizing our translational medicine expertise to identify novel tumor (or target)-associated-antigens (TAAs) and create synergies between different TAAs. Furthermore, in terms of conjugation methods, we are developing various site-specific conjugation methods in addition to conventional cysteine conjugation. In respect of the payload component, we are actively exploring cytotoxic payloads with new mechanisms of action (MOAs) and expanding our payload library to cover various modalities in therapeutic areas beyond oncology. We have also pioneered the development of DACs and AOCs. DACs and AOCs are novel targeted therapies with differentiated MOAs compared to ADCs. In contrast to molecular glue degraders, DACs, with protein degraders as payloads carried by antibodies, have demonstrated favorable efficacy and safety profiles and the potential to overcome drug resistance in preclinical settings. AOCs, by combining the targeting capabilities of antibodies with the gene regulatory potential of oligonucleotides, precisely modulate disease-causing proteins.

End-to-end Clinical Development. We have built strong end-to-end clinical development capabilities to ensure the superior efficiency and quality of our drug development process. We pursue a patient-oriented clinical strategy—which involves fast proof of concept, patient stratification, adaptive trial designs, and modular evolution in combination therapies—to efficiently bring differentiated high-quality therapeutics to the global market. As of December 31, 2024, our in-house clinical development team covered approximately 5,000 clinical investigators, and we were conducting approximately 400 clinical trials for over 90 innovative drug candidates. In 2024, we enrolled nearly 20,000 participants in our clinical studies. From 2018 to the Latest Practicable Date, we had obtained approximately 60 facilitated regulatory pathways in China, the U.S., the EU, and other overseas markets. Our in-house clinical development capabilities allow us to efficiently expedite regulatory timelines while ensuring the robust quality of our clinical trials.

In addition to our superior efficiency, under the "patient first" guidepost, our pharmacovigilance professionals continuously monitor drug safety data to ensure patients' well-being and the integrity of our clinical development. Furthermore, we maintain robust quality assurance for the entire process of our clinical trials through a dedicated team of highly experienced clinical quality professionals. During the Track Record Period and up to the Latest Practicable Date, our clinical programs achieved a 100% pass rate with zero critical deficiencies in approximately 90 GCP inspections conducted by the NMPA and the U.S. FDA. In particular, in March, October, and November 2024, the U.S. FDA conducted bioresearch monitoring inspections at three of our oncology clinical trial sites, and all of these inspections resulted in a classification of "NAI," representing the highest standard of GCP compliance and the best outcome of a U.S. FDA inspection.

Talent and Culture of Innovation. To maintain our competitive strengths in the areas described above, we have made significant investments in and place great emphasis on first-tier talent and a culture of innovation. Our all-round, top-notch R&D team is at the core of our superior R&D and CMC capabilities. Nearly 60% of our over 5,500 R&D team members as of September 30, 2024 hold a master's or higher degree. Many of them have years of experience at leading multinational pharmaceutical companies and renowned research institutes. Moreover, over 30% of our mid-level or above management members as of November 30, 2024 have overseas education or work experience. We benefit from their cross-disciplinary expertise that spans a variety of fields, such as chemistry, biology, pharmacology, toxicology, pharmacovigilance, and translational and clinical research. Leveraging our great talent and culture, we are able to efficiently and swiftly develop highly differentiated innovative pharmaceutical products.

Global-standard Manufacturing System

Leveraging our over 50 years of manufacturing experience, we have established a global-standard manufacturing system to ensure quality excellence, supply stability, and cost efficiency. Our quality management system is designed in accordance with applicable GMP standards, and our exported products comply with or exceed global quality standards including the EU GMP, the U.S. cGMP, and the ICH Quality Guidelines. In addition, we have extensive compliance experience under the manufacturing and quality-related requirements of overseas regulators such as the EMA and the U.S. FDA. For example, we obtained U.S. FDA approval for a total of three ANDAs for our first-to-market generics in January, July, and October 2024. Separately, we frequently receive inspections from our existing and potential global partners, leading to many long-term collaborations. These achievements reaffirm the global recognition of our quality management system. Moreover, in line with our global expansion and to address the increasingly stringent regulatory scrutiny, we have further reinforced our CMC system and strengthened our quality team. In particular, we have recently hired our Chief Quality Officer, an industry veteran with over 30 years of global experience (including experience working at the U.S. FDA) in the pharmaceutical industry. At the same time, our manufacturing infrastructure is industry-leading among Chinese pharmaceutical companies in terms of site area, annual designed production capacity, and range of pharmaceutical products produced.

Robust Commercialization Capabilities

We have established industry-leading commercialization capabilities to propel our sustainable growth. This is demonstrated by our comprehensive and tiered channel coverage enabled by our robust sales force. Our highly specialized sales force has been carefully curated into complementary functions to effectively market and promote our products. As of September 30, 2024, we had a dedicated in-house sales and marketing team of approximately 9,000 employees, which was an industry-leading scale among Chinese pharmaceutical companies, according to Frost & Sullivan. As of the same date, our sales network covered over 22,000 hospitals and over 200,000 offline retail pharmacies across over 30 provincial-level regions in China, which was an industry-leading coverage among Chinese pharmaceutical companies, according to Frost & Sullivan. In addition, we focus on academic promotion to enhance the market awareness of our brand and innovation, including collaborating with clinical investigators and key opinion leaders, publishing our R&D results in high-impact journals and presenting at renowned medical conferences.

Accelerated Global Expansion

In recent years, we have been accelerating our global expansion to unlock and maximize the potential of our product matrix and technology platforms. As of the Latest Practicable Date, we had initiated over 20 overseas clinical trials, including in the U.S., Europe, Australia, Japan, and South Korea, and had commercialized our products in over 40 countries. In 2024, we obtained three fast track designations and three ANDAs from the U.S. FDA for our products. In addition, since 2018, we have carried out 12 out-licensing transactions with global partners, involving 15 molecular entities. The aggregate deal value of these transactions was approximately US$12 billion, with total upfront payments of approximately US$400 million, in addition to equity interest in certain collaboration partners. Among these transactions, our transaction with Kailera Therapeutics, with a total deal value of approximately US$6 billion, was a landmark partnering transaction in China's pharmaceutical industry. In addition, these transactions included our out-licensing to a fully owned subsidiary of Merck KGaA, Darmstadt, Germany ("MRKDG") and IDEAYA Biosciences.

Remarkable Financial Performance

Through continuous innovation, we have achieved remarkable financial performance. Specifically, our total revenue reached RMB22.8 billion in 2023, representing an approximately 14% CAGR from 2013, compared to an approximately 4% CAGR for the global pharmaceutical market during the same period. Moreover, innovative drugs have become a major source of our revenue. Our revenue from sales of innovative drugs as a percentage of our total revenue increased from 38.1% in 2022 to 43.4% in 2023 and further to 47.7% in the nine months ended September 30, 2024. In addition, our healthy profitability and strong cash flows enable us to continue investing in R&D activities to propel long-term sustainable growth, thus supporting a virtuous cycle. Our net profit margin increased from 17.9% in 2022 to 18.7% in 2023 and further to 22.9% in the nine months ended September 30, 2024. Over these same respective periods, we generated operating cash inflows of RMB1,265.3 million, RMB7,643.7 million, and RMB4,585.4 million.

We are also committed to good corporate governance, social responsibility, and the environmental sustainability of our business. Our achievements in this respect are highlighted by an ESG rating of "A" that we have received from MSCI for two consecutive years since 2023.

OUR STRENGTHS

Leading global innovative pharmaceutical company rooted in China

We are a leading global innovative pharmaceutical company rooted in China. We have been ranked as one of the global Top 50 pharmaceutical companies by Pharm Exec for six consecutive years since 2019. We were also ranked 8th on the list of "Top 25 Global Pharma Companies by Pipeline Size" published by Citeline in 2024. Furthermore, as a strong validation of our innovation results, we had a leading position among Chinese pharmaceutical companies, in terms of revenue from NME drugs in 2023 and the number of NME drug candidates in clinical or later stages of development as of the Latest Practicable Date, according to Frost & Sullivan.

We have developed an industry-leading, highly differentiated matrix of innovative products, including several potential blockbusters. As of the Latest Practicable Date, we had a portfolio of 17 commercialized NME drugs and a pipeline of over 90 NME drug candidates in clinical or later stages of development. We expect to maintain strong growth momentum of innovative product rollouts. For example, in 2022, 2023, and the nine months ended September 30, 2024, in China, we initiated six, 18, and 22 pivotal clinical studies for our innovative drugs and drug candidates, and obtained the approval for first-in-human clinical studies of 19, 23, and 19 of our innovative drug candidates, respectively. Additionally, we submitted eight NDAs/BLAs for our innovative drugs in 2024. To demonstrate our R&D efforts and productivity, from 2022 to 2024, research and clinical studies investigating our products and product candidates resulted in 1,019 peer-reviewed papers in international academic journals, including high-impact journals such as *The Lancet*, *British Medical Journal*, *JAMA*, *Nature Medicine*, and *Journal of Clinical Oncology*, with a cumulative impact factor of approximately 7,173 across these publications.

At the same time, to solidify our leadership in innovation, we have invested heavily in R&D. In 2022, 2023, and the nine months ended September 30, 2024, our R&D expenses were RMB4,886.6 million, RMB4,953.9 million, and RMB4,548.9 million, respectively, representing 23.0%, 21.7%, and 22.5% of our total revenue in these same respective periods. Even given these significant R&D investments, we consistently maintained an attractive net profit margin and generated significant operating cash inflows during the Track Record Period. Our healthy profitability and strong cashflows enable us to continue investing in R&D activities to propel long-term sustainable growth, thus supporting a virtuous cycle.

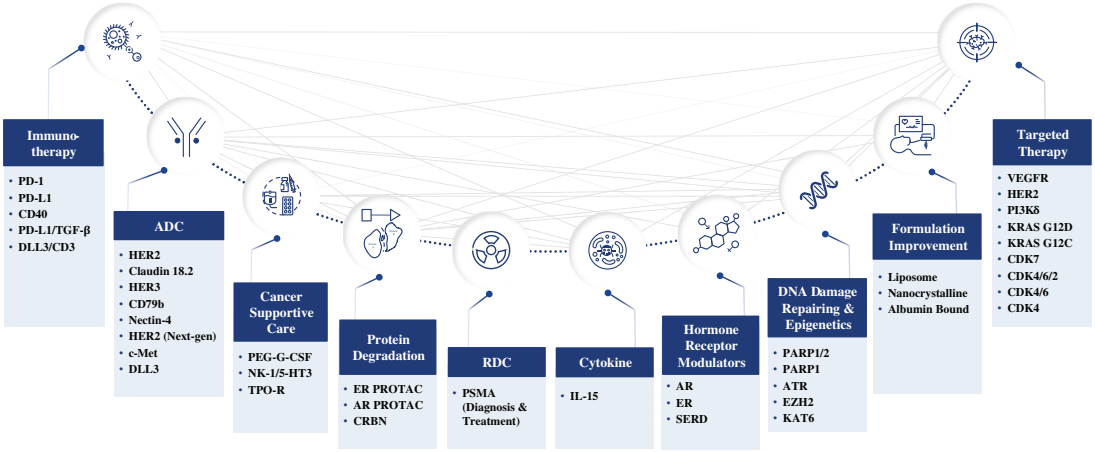
In recent years, we have been accelerating our global expansion to unlock and maximize the potential of our product matrix and technology platforms. As of the Latest Practicable Date, we had initiated over 20 overseas clinical trials, including in the U.S., Europe, Australia, Japan, and South Korea, and had commercialized our products in over 40 countries. In 2024, we obtained three fast track designations and three ANDAs from the U.S. FDA for our products. In addition, since 2018, we have carried out 12 out-licensing transactions with global partners, involving 15 molecular entities. The aggregate deal value of these transactions amounted to approximately US$12 billion, with total upfront payments of approximately US$400 million, in addition to equity interest in certain collaboration partners. These achievements substantially enhanced our global presence and industry recognition.

Differentiated innovative product matrix targeting comprehensive therapeutic areas with significant unmet medical needs and growth potential

Leveraging our leading technology platforms, we have developed a highly differentiated matrix of innovative products, including several potential blockbusters. We strategically focus on comprehensive therapeutic areas with significant unmet medical needs and growth potential.

Oncology. In 2023, globally, there were approximately 20.8 million new cancer cases and 10.0 million cancer deaths, according to Frost & Sullivan. These unmet medical needs for oncology require the revolution of cancer treatment.

As illustrated in the diagram below, we have established a comprehensive toolkit that enables us to develop high-quality oncology drugs in diverse modalities, covering essential cancer types around the globe.



Source: Company data

The breadth of our portfolio maximizes the potential of combination therapies, allowing us to explore regimens that provide meaningful improvements, in particular, on patients' progression-free survival and overall survival, over the current standard of care. Our continued progress in novel cancer therapies and paradigm-shifting innovation efforts are best exemplified by the following product clusters.

Immuno-oncology Drugs

Immunotherapy is a proven method used for the treatment of cancer by regulating anti-tumor immune responses. However, tumor cells escape immune detection by developing immunological tolerance through many pathways, including the upregulation of immunological checkpoint molecules such as PD-1 and PD-L1. As part of our cancer immunotherapies, we have commercialized the following novel anti-PD-1 and anti-PD-L1 antibodies:

- *Camrelizumab*, a novel anti-PD-1 antibody. Camrelizumab had been approved by the NMPA for nine indications as of the Latest Practicable Date. In the global Phase III CARES 310 clinical study, camrelizumab in combination with apatinib (also known as rivoceranib) as a first-line treatment for advanced HCC achieved a median overall survival (mOS) of 23.8 months (compared with an mOS of 15.2 months for sorafenib). The mOS of 23.8 months was the longest among all first-line therapies for uHCC with published clinical study results as of the Latest Practicable Date, according to Frost & Sullivan.

- *Adebrelimab*, a novel anti-PD-L1 antibody. Adebrelimab in combination with carboplatin and etoposide was approved by the NMPA as a first-line treatment for extensive-stage small cell lung cancer (ES-SCLC). Adebrelimab relieves PD-L1-mediated immune suppression and enhances the function of cytotoxic T cells. Adebrelimab functions as a backbone component in various combination therapies. As of the Latest Practicable Date, we were conducting several clinical studies in China to further expand the spectrum of combination therapies using adebrelimab, including in combination with SHR-8068 (an anti-CTLA-4 antibody), ADC drugs, and RAS-targeting agents.

Additionally, we have developed a series of next-generation immuno-checkpoint modulator candidates with paradigm-shifting potential:

- *Retlirafusp alfa (SHR-1701)*, a PD-L1/TGF-β bifunctional fusion protein with first-in-class potential. Retlirafusp alfa was the first PD-L1/TGF-β bifunctional fusion protein to have submitted the NDA/BLA as a first-line therapy for gastric or gastroesophageal junction adenocarcinoma, and it is currently under NDA/BLA review by the NMPA. As of the Latest Practicable Date, it was the most clinically advanced PD-L1/TGF-β bifunctional fusion protein globally, and the only PD-L1/TGF-β bifunctional fusion protein with published Phase III clinical study results for the treatment of advanced gastric cancer, according to Frost & Sullivan.

- *Anti-DLL3/CD3 bispecific antibody*. We are developing an anti-DLL3/CD3 bispecific antibody. It specifically binds to both the DLL3 protein and the CD3 protein, enriching CD3-positive T cells around tumor cells expressing the DLL3 antigen, inducing the activation of T cells and enabling them to exert targeted killing effects on tumor cells. Its CD3 binding affinity was designed to be relatively low. This low CD3 binding affinity mitigates non-specific T-cell activation and reduces inflammatory cytokine production in the periphery.

Currently, we are also expanding our research into CD3-based T cell engagers, γδ T cell engagers, and NK cell engagers.

ADC Drugs

ADC is an innovative biologics drug modality consisting of a biologic component (*i.e.*, the antibody) attached to a small molecule drug (*i.e.*, the cytotoxic payload) via a specifically designed linker. We have established HRMAP, our proprietary ADC platform. It encompasses payloads with different MOAs, optimal conjugation linkers/methods, and well-established antibody discovery and engineering ability. The following are descriptions of the development status of some of our ADC drugs as of the Latest Practicable Date:

- *Trastuzumab rezetecan (SHR-A1811)*, a HER2 ADC with best-in-class potential. Compared to other HER2 ADCs, trastuzumab rezetecan potentially has good efficacy and better safety profiles. Trastuzumab rezetecan was under a priority NDA/BLA review by the NMPA for the treatment of locally advanced or metastatic HER2 mutant NSCLC adult patients who previously received at least one prior line of systemic therapy. Trastuzumab rezetecan (SHR-A1811) had received breakthrough therapy designations from the NMPA for seven indications, which were the most among all clinical-stage drug candidates in China as of the Latest Practicable Date, according to Frost & Sullivan.

- *SHR-A2102*, a Nectin-4 ADC with best-in-class potential. We were conducting a Phase III clinical study of SHR-A2102 versus an investigator-selected therapy in locally advanced or metastatic urothelial carcinoma previously treated with platinum-containing chemotherapy and anti-PD-(L)1 antibodies, with or without ADC. It had received a breakthrough therapy designation from the NMPA and a fast track designation from the U.S. FDA.

- *SHR-1826*, a c-Met ADC. We were conducting a Phase Ib/II clinical study of SHR-1826 in China to evaluate its safety, tolerability, and efficacy in combination with other anti-tumor agents in patients with advanced solid tumors. We were also conducting a Phase I clinical study of SHR-1826 in patients with advanced solid tumors.

- *SHR-A1904*, a CLDN18.2 ADC with best-in-class potential. We were conducting a Phase III clinical study to confirm SHR-A1904 as a second-line treatment for advanced or metastatic gastric or gastroesophageal junction adenocarcinoma. In October 2023, we out-licensed an exclusive option to develop, manufacture, and commercialize SHR-A1904 worldwide (outside of mainland China) to a fully owned subsidiary of MRKDG. For details, see "—Collaboration and Licensing Arrangements—Major Out-Licensing Arrangements—Strategic Collaboration and License Agreement with a Fully Owned Subsidiary of Merck KGaA, Darmstadt, Germany."

- *SHR-4849*, a DLL3 ADC. SHR-4849 has strong proliferation inhibitory activity against different tumor cell lines with high and medium expression of DLL3. It also exhibits a significant bystander effect, capable of killing DLL3 low-expressing cells by releasing toxins from the killing of DLL3 high-expressing cells. In May 2024, we obtained the IND approval from the NMPA for conducting a Phase I clinical study of SHR-4849 for the treatment of advanced malignant solid tumors. In December 2024, we out-licensed to IDEAYA Biosciences the exclusive rights to develop, manufacture, and commercialize SHR-4849 worldwide (excluding the Greater China region). For details, see "—Collaboration and Licensing Arrangements—Major Out-Licensing Arrangements—Collaboration and License Agreement with IDEAYA Biosciences."

- *SHR-A2009*, a HER3 ADC with best-in-class potential. SHR-A2009 potentially has better efficacy. We were conducting a Phase III clinical study of SHR-A2009 to confirm its efficacy compared to platinum-based chemotherapy in patients with EGFR mutant, advanced or metastatic NSCLC who have failed EGFR-TKI treatment. It had received a fast track designation from the U.S. FDA.

- *SHR-A1912*, a CD79b ADC with best-in-class potential. We were conducting a Phase I clinical study of SHR-A1912 as a monotherapy, and a Phase II clinical study of SHR-A1912 in combination therapy. SHR-A1912 had received a fast track designation from the U.S. FDA for the treatment of relapsed/refractory diffuse large B-cell lymphoma in patients who have previously received at least two lines of treatment.

ER- and CDK-Targeting Drugs

HR-positive breast cancer accounts for approximately 60%-70% of all breast cancer cases. In addition to our existing product matrix for the treatment of HER2-positive breast cancer, we take a holistic approach to developing potent breast cancer therapies by regulating ER and CDK simultaneously:

- *Regulating the expression of ERs*. We have developed HRS-2189, a novel KAT6-specific inhibitor. HRS-2189 regulates the expression of a variety of downstream oncogenes by inhibiting the acetylation of histone lysine, thus enabling an anti-tumor effect.

- *Degrading expressed ERs*. We have developed the following drug candidates to degrade expressed estrogen receptors.

  - *HRS-8080*, a novel, oral, small molecule SERD. HRS-8080 degrades ER in a highly effective and selective manner. It exerts anti-tumor effects by lowering ER protein levels and thus downstream signals, thereby inhibiting tumor cell proliferation. The efficacy in treating breast cancer is improved when used in combination with dalpiciclib, our approved CDK4/6 inhibitor. In a Phase II clinical study, HRS-8080 in combination with dalpiciclib showed durable responses and a favorable safety profile.

  - *HRS-1358*, a novel, oral, small molecule ER PROTAC that elicits ER degradation. HRS-1358 potently and selectively degrades ER protein levels and thus downstream signals, thereby inhibiting the proliferation of tumor cells and exerting anti-tumor effects. As of the Latest Practicable Date, we were conducting a Phase II clinical study of HRS-1358 in combination therapy for the treatment of breast cancer.

- *Regulating downstream kinase under tiered coverage.* We have commercialized dalpiciclib, a novel, orally available CDK4/6 inhibitor that targets cells with a dysregulated cell cycle.

  Intrinsic and acquired resistance to CDK4/6 inhibitors and hematotoxicity of CDK6 inhibitors remain major challenges in the medical community. Currently, treatment options for this patient group remain limited, including PI3K/mTORi, endocrine, and chemotherapies. In response, we have developed the following drug candidates to address this drug resistance problem.

  - *Highly selective CDK4 inhibitor*. HRS-6209, a novel, highly efficient, highly selective CDK4 inhibitor. HRS-6209 potently inhibits CDK4/cyclin D complex and downstream signals, and induces tumor cell arrest at G1 phase, thus inhibiting tumor cell proliferation and exerting anti-tumor effects. Compared to a CDK4/6 inhibitor, the acceptable efficacy and lower toxicity profiles of a CDK4 inhibitor make it a suitable therapeutic option for patients who require a long-term treatment cycle. As of the Latest Practicable Date, we were conducting a Phase I clinical study of HRS-6209 as monotherapy for the treatment of advanced solid tumor and a Phase Ib/II clinical study of HRS-6209 in combination therapy for the treatment of breast cancer.

  - *CDK7 inhibitor*. We are developing a novel, highly potent and highly selective CDK7 inhibitor. It blocks CDK7-mediated oncogenic effects on the cell cycle through phosphorylation of other CDKs, and transcription initiation by phosphorylating RNA polymerase II. Cell growth inhibition studies showed its broad activity against a wide range of tumor cell lines. Encouraging activity

was also observed *in vivo*. As of the Latest Practicable Date, we were conducting a multicenter, open-label Phase I clinical study to evaluate its safety and tolerability in patients with advanced solid tumors.

- *CDK4/6/2 inhibitor*. We are developing a novel, small molecule CDK4/6/2 inhibitor, with well-balanced CDK4 and CDK2 inhibiting activities. Early translational research suggested that upregulating cyclin E expression, CDK2 hyperphosphorylation, and CDK6 overexpression are potential mechanisms that lead to CDK4/6 inhibitor resistance in breast cancer patients. It is hypothesized that these types of resistance might be overcome by simultaneous inhibition of CDK2, CDK4 and CDK6.

RAS-Targeting Agents

RAS is one of the most important oncogenes. The RAS signaling pathway is involved in many important cellular processes such as cell proliferation and survival, differentiation, apoptosis, cytoskeletal movement, protein transport, and secretion. RAS has three different isoforms: KRAS, NRAS, and HRAS, among which KRAS mutations occur in approximately 85% of the cancers with RAS alterations.

According to Frost & Sullivan, RAS pathway mutations are implicated in approximately 20% of the total solid tumor incidence globally. In 2023, globally, there were approximately 4.2 million new cancer cases with RAS mutations, including approximately 1.0 million in China. Mutant KRAS (mKRAS), in particular, drives 25% of solid tumors including non-small cell lung cancer (NSCLC), pancreatic ductal adenocarcinoma (PDAC), and colorectal cancer (CRC), which makes KRAS a promising cancer drug target. The dominant oncogenic mutations of KRAS occur at the codon 12 position, in particular G12D, G12V, and G12C. KRAS has long been considered a challenging therapeutic target. Currently approved KRAS-targeted therapies have shown proof of efficacy; however, their duration of response is relatively short.

We have strategically developed a cluster of innovative drugs within the KRAS family.

- *KRAS G12C inhibitor.* As of the Latest Practicable Date, worldwide, four KRAS G12C inhibitors had been approved to treat patients with advanced NSCLC harboring KRAS G12C mutations, according to Frost & Sullivan. However, due to intrinsic or acquired resistance caused by cellular, molecular, and genetic mechanisms, challenges remain in prolonging patients' response to the KRAS G12C inhibitor therapy.

HRS-7058 is a novel, potent, highly selective, next-generation KRAS G12C inhibitor for the treatment of patients with advanced solid tumors harboring KRAS G12C mutations. HRS-7058 is designed to inhibit both active and inactive forms of KRAS G12C. As of the Latest Practicable Date, we were conducting a Phase I clinical study of HRS-7058 for patients with advanced solid tumor with KRAS G12C mutations.

- *KRAS G12D inhibitor.* Compared to G12C, G12D is most commonly seen in pancreatic ductal adenocarcinoma (PDAC), a dismal disease with an average 5-year survival rate of 12% due to difficulties in early diagnosis and the lack of effective treatments, according to Frost & Sullivan. As of the Latest Practicable Date, no KRAS G12D inhibitors had been approved worldwide, according to the same source.

  HRS-4642 is a novel, potent, long-acting, and highly selective KRAS G12D inhibitor in liposomal injectable form, with first-in-class potential. HRS-4642 was the first inhibitor targeting KRAS G12D to have reported clinical data globally, according to Frost & Sullivan. In addition, we seek to develop next-generation KRAS G12D inhibitors in orally available formulation.

Metabolic and Cardiovascular Diseases. Metabolic disorders, including diabetes and obesity, typically increase the risks of cardiovascular, cerebrovascular, and renal diseases. Cardiovascular diseases, including high blood pressure and high cholesterol levels, can lead to high-mortality conditions such as coronary artery disease, heart failure, and stroke. While patients benefit from existing treatment options in these therapeutic areas, there is growing demand for innovative treatments that address the unmet medical needs and provide more flexible drug administration and enhanced efficacy and/or better safety profiles.

To meet the significant unmet medical needs in this area, we have strategically developed a portfolio of GLP-1 drug candidates across multiple modalities, in both oral and injectable forms. Following below are descriptions of our selected innovative product candidates in the GLP-1 family:

- *HRS-7535*, a novel, oral, small molecule GLP-1R agonist, which offers convenient drug administration benefits. In a Phase I clinical study, HRS-7535 exhibited a safety and tolerability profile consistent with other GLP-1R agonists and showed pharmacokinetics properties suitable for once-daily dosing. As of the Latest Practicable Date, we had completed the first-patient-in for its Phase III clinical study to confirm the efficacy and safety of HRS-7535 in adults with type 2 diabetes, and the last-patient-in for its Phase II clinical study on obesity treatment. As of the same date, we were also conducting a Phase II clinical study of HRS-7535 for patients with diabetic kidney disease.

- *HRS9531*, a novel, once-weekly, GLP-1 and GIP receptor dual agonist, with best-in-class potential. HRS9531 effectively reduced body weight, blood glucose, blood pressure, and triglycerides, while demonstrating a favorable safety profile, in Phase II clinical studies in overweight/obese participants and patients with type 2 diabetes. Relevant clinical results were presented at the 2024 American Diabetes Association (ADA) Annual Meeting and the 2024 European Association for the Study of Diabetes Annual Meeting. As of the Latest Practicable Date, we were conducting Phase III clinical studies in overweight/obese participants and patients with type 2 diabetes to confirm efficacy and safety of HRS9531.

- *HRS-4729*, a GLP-1, GIP, and GCG receptor tri-agonist formulated as a long-acting injectable peptide. By activating multiple targets, HRS-4729 improves the secretion of insulin, while controlling blood glucose, food intake, and body weight. As of the Latest Practicable Date, there were no approved GLP-1/GIP/GCG receptor tri-agonists globally, according to Frost & Sullivan.

In May 2024, we out-licensed to Kailera Therapeutics the exclusive rights to develop and commercialize three of our proprietary incretin-based drug candidates, HRS-7535, HRS9531, and HRS-4729, worldwide (except for the Greater China region).

In addition, capitalizing on recent scientific insights, we have developed a robust pipeline of other innovative drug candidates for the treatment of metabolic and cardiovascular diseases, including:

- *Myosin inhibitor*. We are developing a novel myosin inhibitor for the treatment of hypertrophic cardiomyopathy and related heart failure. It potentially offers a superior efficacy profile in reducing obstructive symptoms among target patients and a superior safety profile in preventing or reducing adverse events due to decreased contractility.

- *Lp(a) inhibitor*. We are developing an oral, small molecule inhibitor targeting Lp(a). It exhibits the potential in preventing the risk of atherosclerotic cardiovascular disease by potently lowering Lp(a). Oral administration is also expected to provide patients with greater convenience.

- *SHR6508*, a novel allosteric modulator of the calcium-sensing receptor for the treatment of hemodialysis patients with secondary hyperparathyroidism. SHR6508 is given intravenously to potentially improve patient compliance and reduce gastrointestinal adverse events.

siRNA has become a compelling targeted therapeutic modality, especially against undruggable targets for the treatment of a wide spectrum of diseases. With the capability of precise gene silencing and advancements in delivery systems, siRNA therapeutics reduce dosage frequency and improve patient compliance. Following below are descriptions of our selected siRNA drug candidates:

- An siRNA drug candidate targeting APOC3. It inhibits the expression of APOC3 protein through RNA interference. It effectively reduces triglycerides and thereby reduces the risk of ASCVD in patients with hypertriglyceridemia. As of the Latest Practicable Date, we were conducting a Phase I clinical study of this drug candidate.

- An siRNA drug candidate targeting AGT. AGT is a promising new target for the treatment of resistant hypertension. The AGT gene encodes a protein that is a precursor to angiotensin II, a potent vasoconstrictor that plays a critical role in the regulation of blood pressure. We are developing an siRNA drug targeting AGT to improve patient compliance, reduce blood pressure fluctuations, and reduce the incidence of adverse reactions of traditional antihypertension drugs while ensuring effective blood pressure reduction. As of the Latest Practicable Date, we were conducting a Phase I clinical study of this drug candidate.

Immunological and Respiratory Diseases. The healthcare landscape globally faces a significant burden from immunological and respiratory diseases, primarily due to the high prevalence of patients with long-term medication needs. In 2023, the global population with psoriasis, rheumatoid arthritis, asthma, and chronic obstructive pulmonary diseases was approximately 136.6 million, 40.9 million, 786.9 million, and 246.2 million, respectively, according to Frost & Sullivan. Innovative drugs with extended half-lives, improved patient accessibility, higher adherence, and optimized safety profile, are expected to be future growth drivers in this area.

To address these unmet medical needs, we strategically focus on a wide array of key autoimmune pathologic targets such as T cells, B cells, and complementary pathways. To enhance the effectiveness of our treatments and cater to patients' various needs in these areas, we also employ diversified modalities, including small molecules, peptides, monoclonal and bispecific antibodies, fusion proteins, and inhalation therapies. Following below are descriptions of our selected innovative products and product candidates for the treatment of immunological and respiratory diseases:

- *Vunakizumab (SHR-1314)*, an anti-IL-17A antibody, with best-in-class potential. Vunakizumab exhibited high IL-17A affinity through a novel epitope and reduced immunogenicity due to an extremely low content of mouse components. Vunakizumab was the first domestically developed anti-IL-17A antibody approved by the NMPA, according to Frost & Sullivan.

- *Ivarmacitinib (SHR0302)*, a highly selective JAK1 inhibitor, with best-in-class potential. Compared to other JAK inhibitors, ivarmacitinib exhibits potency and selectivity for JAK1. Ivarmacitinib is currently under NDA review in China for the treatment of moderate-to-severe atopic dermatitis, ankylosing spondylitis, moderate-to-severe active rheumatoid arthritis, and alopecia areata. As of the Latest Practicable Date, it was the most clinically-advanced domestically developed JAK1 inhibitor for the treatment of immunological diseases in China, according to Frost & Sullivan.

- *SHR-1905*, a long-acting anti-TSLP antibody with best-in-class potential. Compared to other anti-TSLP antibodies, SHR-1905 has a longer half-life, which allows a lower frequency of drug administration. The prolonged half-life of SHR-1905 leads to longer dosing intervals than those of the only anti-TSLP antibody approved worldwide, according to Frost & Sullivan. As of the Latest Practicable Date, SHR-1905 was undergoing a Phase II clinical study for treatment of severe uncontrolled asthma, a Phase II clinical study for treatment of chronic rhinosinusitis with nasal polyps (CRSwNP).

- *SHR-1703*, a novel, long-acting anti-IL-5 antibody. SHR-1703 exhibited high IL-5 affinity and prolonged half-life, enabling reduced eosinophil-mediated inflammation and damage. As of the Latest Practicable Date, we were conducting a Phase III clinical study to confirm the efficacy and safety of SHR-1703 in patients with asthma. In addition, as of the Latest Practicable Date, we were conducting a Phase II/III study for the treatment of eosinophilic granulomatosis with polyangiitis (EGPA).

Neuroscience. The neuroscience pharmaceutical market broadly covers neurology, analgesia (or pain management), and anesthesia. Alzheimer's Disease and Parkinson's Disease are two major neurodegenerative disorders worldwide. According to Frost & Sullivan, there were estimated to be 58.3 million people affected by dementia worldwide in 2023, with Alzheimer's Disease contributing to 60-70% of dementia cases. In the same year, there were 9.4 million people affected by Parkinson's Disease globally. There are significant unmet medical needs for disease-modifying therapies which target clearly-defined pathogenic mechanisms and have the potential to delay the disease progression. Furthermore, stroke is a leading cause of death and disability globally. We have been developing various therapies with differentiated MOAs to improve the treatment paradigm of stroke.

Pain management is another critical issue both in China and globally. Chronic pain affects over 20% of the general population. Insufficient symptom control, poor tolerance of medications, and opioid overuse are still challenges in clinical practice, especially in the treatment of chronic pain. In addition, anesthesia and related fields such as perioperative management and critical care also show significant growth potential.

Following below are descriptions of our selected innovative drug candidates in the field of neuroscience:

- *SHR-1707*, a novel anti-Aβ IgG1 antibody. In a Phase Ib clinical study, SHR-1707 demonstrated significant brain amyloid load reduction in mild Alzheimer's Disease subjects. In preclinical studies, a higher affinity to beta-amyloid fibrils was demonstrated, which may predict a stronger effect of amyloid clearance than the products currently in use. In behavior tests of the animal model for Alzheimer's Disease, improvement of cognitive functions was also observed. As of the Latest Practicable Date, we were conducting a Phase II clinical study of SHR-1707 for the treatment of Alzheimer's Disease.

- *HRG2010*, a novel extended-release fixed-dose combination composed of carbidopa and levodopa. HRG2010 has been developed for a better control of motor fluctuations in Parkinson's Disease patients with long-term use of levodopa. As of the Latest Practicable Date, we were conducting a Phase III clinical study of HRG2010 for the treatment of Parkinson's Disease.

- *$Na_V1.8$ inhibitor*. We are developing a highly selective inhibitor of voltage-gated sodium ion channel subunit 1.8 ($Na_V1.8$), which presents significant potential for non-opioid pain management. Compared with the current standard of care, it is expected to have a better safety profile and tolerability. There were no $Na_V1.8$ inhibitors approved in the world for acute pain or chronic pain as of the Latest Practicable Date, according to Frost & Sullivan.

Multi-pronged research capabilities and leading technology platforms that enable us to develop potential blockbuster products

We are dedicated to generating a continuous flow of first-in-class and best-in-class molecules that benefit global patients. To this end, we strategically employ a multi-pronged approach to researching and developing drug assets with varying properties for identified druggable targets. Over the decades, we have extended our research beyond small molecules to encompass a wide range of additional modalities, including PROTACs, peptides, mAbs, BsAbs, multi-specific antibodies, ADCs, and RLTs. Benefitting from our comprehensive toolkit and deep insights in drug pathways and molecule designs, we have developed several drug clusters, such as immuno-oncology drugs, ADCs, ER and CDK-targeting drugs, and RAS-targeting agents, to address significant unmet medical needs.

This multi-pronged approach supported by our leading technology platforms allows us to achieve paradigm-shifting innovation and significantly shorten the lead times for identifying and validating potentially first-in-class or best-in-class compounds. A good case in point is our HRS-4642, a potentially first-in-class KRAS G12D inhibitor globally. Leveraging our liposomal technology, we design HRS-4642 with a liposomal formulation for targeted delivery, controlled and sustained drug release, and reduced systemic toxicity.

Our continuous innovation is fueled by a number of leading innovative technology platforms. Leveraging our industry foresight and 14 R&D centers strategically located around the world, we have built each of these technology platforms with robust, differentiated functionalities and capabilities across the entire process of innovative drug R&D. Notably, our Hengrui Rapid Modular ADC Platform (HRMAP) and bispecific antibody platforms—Hengrui Obscurin Titin-Ig (HOT-Ig) and Half Antibody Recombination Technology-IgG (HART-IgG)—are our proprietary platforms incorporating cutting-edge technologies that have demonstrated the ability to generate differentiated new molecules. Specifically, our HRMAP platform encompasses payloads with different MOAs, optimal conjugation linkers/methods, and well-established antibody discovery and engineering ability that empower our capability to create an ADC with desired *in vitro* and *in vivo* properties within a short period of time. Among our bispecific antibody platforms, HOT-Ig utilizes the Ig-like domain pair from human obscurin and titin to replace the CH1/CL domains, avoiding heavy and light chain mispairing. By leveraging this platform, we can create a variety of bispecific antibodies with multiple formats, great stability, and high compatibility for diverse sequences. On the other hand, HART-IgG is our newly-developed versatile platform to efficiently prepare bispecific antibodies. Bispecific antibodies developed via our HART-IgG platform show robust physicochemical properties and good druggability comparable with those of canonical mAbs. Furthermore, our HART-IgG technology is compatible with other engineering/conjugation technologies, and as a result, can be used to develop bispecific antibody conjugates.

Our technology platforms are undergoing modular evolutions, and we capitalize on platform synergies to rapidly iterate our drug candidates and generate novel therapies with greater safety, efficacy, and convenience. This modular and complementary evolution is best exemplified by our efforts in deepening our research in ADC. We began our research on ADCs and other bioconjugate drugs in 2010. As of the Latest Practicable Date, we had advanced over ten differentiated ADC molecules to the clinical stage. In particular, as of the same date, trastuzumab rezetecan (SHR-A1811) had received breakthrough therapy designations from the NMPA for seven indications, which were the most among all clinical-stage drug candidates in China, according to Frost & Sullivan. We constantly advance our technologies to substantially expand our bioconjugate component library and research on "AXC" drugs. Specifically, with respect to the antibody component, we utilize our translational medicine expertise to identify novel TAAs. Our antibody engineering capability allows us to develop not only monoclonal antibodies, but also bispecific and multi-specific antibodies, aiming for the synergies between different TAAs. With respect to conjugation methods, besides the conventional cysteine conjugation method, we are developing various site-specific conjugation methods, including glycosite-specific conjugation and engineered cysteine site-specific conjugation. With respect to the payload component of AXCs, we are actively exploring cytotoxic payloads with new MOAs to overcome the resistance of commonly used cytotoxic payloads. We are also expanding our payload library to cover various modalities, such as degraders (molecular glues and PROTACs) for oncology. By conjugating peptides and oligonucleotides onto antibodies of interest, we further explore new molecular entities in therapeutic areas beyond oncology. We pioneered the development of DACs and AOCs. DACs and AOCs are novel targeted therapies with differentiated MOAs compared to ADCs. In contrast to molecular glue degraders, DACs, with protein degraders as payloads carried by antibodies, have demonstrated favorable efficacy

and safety profiles and the potential to overcome drug resistance in preclinical settings. AOCs, by combining the targeting capabilities of antibodies with the gene regulatory potential of oligonucleotides, precisely modulate disease-causing proteins. More recently, we have structured our Hengrui-LingShu platform and bioinformatics platform to streamline various aspects of our R&D, including drug discovery, molecular design, drug property prediction and optimization.

End-to-end clinical development capabilities aligned with our patient-oriented strategy to efficiently bring high-quality drugs to the global market

We have built strong end-to-end clinical development capabilities to ensure the efficiency and quality of our drug development process. We pursue a patient-oriented clinical strategy—which involves fast proof of concept, patient stratification, adaptive trial designs, and modular evolution in combination therapies—to efficiently bring differentiated high-quality therapeutics to the global market. As of December 31, 2024, our in-house clinical development team covered approximately 5,000 clinical investigators, and we were conducting approximately 400 clinical trials for over 90 innovative drug candidates. In particular, we have initiated multi-regional clinical trials in regions including the U.S., Europe, Australia, Japan, and South Korea, for a number of products demonstrating global potential such as SHR-A1904, SHR-A1811, and camrelizumab in combination with apatinib. In addition, we adhere to stringent global standards when conducting clinical trials in China for our product candidates with global potential. Applying this approach, we can pursue concurrent IND submissions worldwide and accelerate multi-regional clinical trials for potentially first-in-class or best-in-class drug candidates.

Our patient-oriented clinical development strategy and end-to-end clinical development capabilities enable us to achieve superior operational efficiency in clinical development. For example, it took us around four years to advance our trastuzumab rezetecan (SHR-A1811) from the commencement of the clinical trial to obtaining the NMPA's acceptance of the NDA. From 2018 to the Latest Practicable Date, we had obtained approximately 60 facilitated regulatory pathways in China, the U.S., the EU, and other overseas markets. In addition, in 2024, we enrolled nearly 20,000 participants in our clinical studies. Our in-house clinical development capabilities allow us to efficiently expedite regulatory timelines for our products.

In addition to our superior efficiency, under the "patient first" guidepost, our pharmacovigilance professionals continuously monitor drug safety data to ensure patients' well-being and the integrity of our clinical development. Furthermore, we maintain robust quality assurance for the entire process of our clinical trials through a dedicated team of highly experienced clinical quality professionals. During the Track Record Period and up to the Latest Practicable Date, our clinical programs achieved a 100% pass rate with zero critical deficiencies in approximately 90 GCP inspections conducted by the NMPA and the U.S. FDA. In particular, in March, October, and November 2024, the U.S. FDA conducted bioresearch monitoring inspections at three of our oncology clinical trial sites, and all of these inspections resulted in a classification of "NAI," representing the highest standard of GCP compliance and the best outcome of a U.S. FDA inspection.

Global-standard and industry-leading in-house manufacturing system ensuring quality excellence, supply stability, and cost efficiency

We are committed to achieving quality manufacturing system. Leveraging over 50 years of manufacturing experience, we have established a global-standard CMC management system. Our quality management system is designed in accordance with applicable GMP standards, and our exported products comply with or exceed global quality standards including the EU GMP, the U.S. cGMP, and the ICH Quality Guidelines. In addition, we have extensive compliance experience under the manufacturing and quality-related requirements of overseas regulators such as the EMA and the U.S. FDA. We obtained U.S. FDA approval of three ANDAs for our first-to-market generics in 2024. For example, in October 2024, the U.S. FDA approved our paclitaxel for injection (albumin bound) as chemotherapy, which was a first-to-market generic product approved by the U.S. FDA. In addition, we frequently receive visits and inspections from our existing and potential global partners, leading to many long-term collaborations. These achievements reaffirm the global recognition of our quality management system. Moreover, in line with our global expansion and to address the increasingly stringent regulatory scrutiny, we have further reinforced our CMC system and strengthened our quality team. In particular, we have recently hired our Chief Quality Officer, an industry veteran with over 30 years of global experience (including experience working at the U.S. FDA) in the pharmaceutical industry.

In addition, we manufacture our pharmaceutical products fully in-house, except for a limited number of in-licensed products. This in-house manufacturing capability allows us to effectively control the quality and costs of our products and, more importantly, ensure stable product supplies. We can also achieve economies of scale and optimize our production costs by leveraging the large scale and complementary functions of our 12 manufacturing facilities across nine cities in China. Furthermore, our manufacturing infrastructure is industry-leading among Chinese pharmaceutical companies in terms of site area, annual designed production capacity, and range of pharmaceutical products produced. Specifically, as of September 30, 2024, our manufacturing facilities across China had a total site area of 1.2 million square meters. In 2023, we had annual designed production capacity of 222.5 million vials of injectables and 3.4 billion pieces of oral solids (including tablets and capsules). Complementing this scale, we can manufacture a wide spectrum of modalities across small molecules and biologics—from drug substances (such as APIs) to drug products—in dosage forms such as injectables, oral tablets and capsules, oral solutions, film agents and ointments.

Industry-leading commercialization capabilities to propel our sustainable growth

We have established industry-leading commercialization capabilities to propel our sustainable growth. This is demonstrated by our comprehensive, tiered-channel coverage that is enabled by our robust sales force. As of September 30, 2024, we had a dedicated in-house sales and marketing team of approximately 9,000 professionals, which was an industry-leading scale among Chinese pharmaceutical companies, according to Frost & Sullivan. Our highly specialized marketing and sales team has been strategically curated into complementary functions, including strategic planning, marketing medical affairs, sales management, sales

force effectiveness, and market access, to effectively promote the clinical benefits of our products and enhance our sales productivity. In terms of channel coverage, our sales network spanned over 22,000 hospitals and over 200,000 offline retail pharmacies across over 30 provincial-level regions in China, which was an industry-leading coverage among Chinese pharmaceutical companies, according to Frost & Sullivan. We also have deep penetration in lower-tier cities and rural areas, which enables us to capture broader market opportunities. Aside from offline retail pharmacies, our professional prescription drug sales team also covered all mainstream online pharmacy platforms as of September 30, 2024. At the same time, we have established a specialized direct-to-patient ("DTP") team dedicated to expanding our DTP pharmacy channel to satisfy patients' diversified medical needs. Furthermore, we have utilized various channels and platforms, such as community healthcare service centers, to better serve patients with oncology and chronic diseases and improve their long-term treatment outcomes.

We focus on academic promotion to facilitate market adoption of our innovations. Leveraging our over 50 years' industry experience and our premium brand, we have built long-term academic relationships with many renowned physicians and other healthcare professionals. We have also supported investigator-initiated trials and performed various post-market real-world studies to benefit more patients and collect clinical evidence to further validate our products. In addition, we publish results of our clinical trials in high-impact journals such as *The Lancet, British Medical Journal, JAMA, Nature Medicine,* and *Journal of Clinical Oncology*. We believe that these publications are instrumental in endorsing our products' high quality and driving their adoption by the medical community. Moreover, we regularly organize and participate in a wide variety of major domestic and international academic conferences, seminars, and symposia to enhance the scientific awareness of our innovative product matrix alongside our brand recognition. Many of our product studies have been presented at major international academic conferences such as the American Society of Clinical Oncology (ASCO) Annual Meeting, the European Lung Cancer Conference, the American Society of Gynecological Oncology Annual Meeting, the European Breast Cancer Conference, the World Conference on Lung Cancer, the ADA Annual Meeting, and the American Academy of Dermatology Annual Meeting, among which we have presented major research studies in the ASCO Annual Meeting for 13 consecutive years.

Supported by our superior commercialization capabilities, we achieved remarkable sales performance during the Track Record Period. We recognized revenue of RMB21.3 billion, RMB22.8 billion, and RMB20.2 billion in 2022, 2023, and the nine months ended September 30, 2024, respectively. In particular, our revenue from sales of innovative drugs as a percentage of our total revenue increased from 38.1% in 2022 to 43.4% in 2023 and further to 47.7% in the nine months ended September 30, 2024.

Accelerated expansion into the global market, unlocking the potential of our product matrix and technology platforms

Leveraging our established platforms and capabilities, we are committed to expanding our global footprint to unlock and maximize the potential of our product matrix and technology platforms. As of the Latest Practicable Date, we had initiated over 20 overseas clinical trials, including in the U.S., Europe, Australia, Japan, and South Korea, and had commercialized our products in over 40 countries. We proactively seek to launch our products in the global market. From 2018 to the Latest Practicable Date, we had obtained approximately 60 facilitated regulatory pathways, spanning priority review, breakthrough therapy, fast track, and orphan drug designations, including eight from the U.S. FDA and the EMA.

In addition, we proactively explore value-accretive partnerships with leading pharmaceutical companies, particularly global peers, to maximize the commercial value of our drugs. Over the years, our drugs have drawn increasing attention from potential global partners seeking innovative drugs, particularly our drugs with best-in-class or first-in-class potential, culminating in multi-bidder out-licensing transactions. Since 2018, we have carried out 12 out-licensing transactions with global partners, involving 15 molecular entities. The aggregate deal value of these transactions was approximately US$12 billion, with total upfront payments of approximately US$400 million, in addition to equity interest in certain collaboration partners. Set forth below are representative examples of our out-licensing arrangements in the past two years:

Kailera Therapeutics *(formerly known as Hercules).* In May 2024, we out-licensed to Kailera Therapeutics the exclusive rights to develop and commercialize three of our proprietary GLP-1 drug candidates—HRS-7535, HRS9531, and HRS-4729—worldwide (excluding the Greater China region). Kailera Therapeutics agreed to provide us with an upfront payment of US$100 million, a near-term technology transfer milestone payment of US$10 million, and 19.9% of its equity interest. With a total deal value of approximately US$6 billion, this transaction was a landmark partnering transaction in China's pharmaceutical industry. With this collaboration, we aim to capture a portion of the huge global market in metabolism and learn the best practices in global clinical development and commercialization for a broader product pipeline.

Merck KGaA, Darmstadt, Germany. In October 2023, we entered into a strategic collaboration and license agreement with a fully owned subsidiary of Merck KGaA, Darmstadt, Germany, or MRKDG. Pursuant to this agreement, we out-licensed to this fully owned subsidiary of MRKDG certain exclusive rights or options to develop, manufacture, and commercialize HRS-1167 (our proprietary PARP1 inhibitor) and SHR-A1904 (our proprietary CLDN18.2 ADC) worldwide (outside of mainland China), and an option to co-promote HRS-1167 and SHR-A1904 with us within mainland China. Under this agreement, this fully owned subsidiary of MRKDG agreed to provide us with an upfront payment of €160 million, additional payments upon the achievement of certain development, regulatory and commercial milestones, as well as tiered royalties on net sales by this fully owned subsidiary of MRKDG. Potential payments may total up to €1.4 billion.

IDEAYA Biosciences. In December 2024, we entered into a collaboration and license agreement with IDEAYA Biosciences, a precision medicine oncology company headquartered in the United States. Pursuant to this agreement, we out-licensed to IDEAYA Biosciences the exclusive rights to develop, manufacture, and commercialize SHR-4849 worldwide (excluding the Greater China region). Under this agreement, IDEAYA Biosciences agreed to provide us with an upfront payment of US$75 million. We are also entitled to receive payments of up to US$970 million upon the achievement of certain development, approval and sales milestones, as well as single- to double-digit sales royalties based on future actual annual net sales of SHR-4849 worldwide (excluding the Greater China region).

Internationally competitive team of industry veterans led by visionary leaders

We boast a highly sophisticated and experienced management team with global vision. We benefit from their visionary leadership, remarkable accomplishments, and complementary expertise across the pharmaceutical industry value chain, both in China and globally.

Mr. Sun Piaoyang, our chairman, is a visionary industry veteran with extensive expertise and experience in the pharmaceutical industry. Mr. Sun plays a pivotal role in our success and growth on the global stage. Since 1990, he has successfully led the transformation of our company into a leading global pharmaceutical company focused on high-quality innovative drugs. Under Mr. Sun's leadership, we have built up Hengrui's ecosystem comprising great talent, organization, and culture, which underlies our research, clinical, manufacturing, and commercialization capabilities.

Under Mr. Sun's leadership, we have adopted a dedicated and experienced core management team to steer our growth path:

- Mr. Dai Hongbin, our Executive Director and General Manager (President), primarily leads our overall business operations. Mr. Dai has over 24 years of industry experience and sophisticated management and execution skills. He has been instrumental in our growth and transformation over the past two decades.

- Mr. Zhang Lianshan, our Executive Director and Executive Vice President, is in charge of our overall R&D. Mr. Zhang has over 42 years of experience in the biomedical research and pharmaceutical industry.

- Mr. Jiang Frank Ningjun, our Executive Director, Executive Vice President, and Chief Strategy Officer, is in charge of our clinical development and business development. Mr. Jiang has over 40 years of experience in the medical/pharmaceutical industry, including over 35 years of experience and expertise in medical and clinical research in the U.S., Canada, and China.

Our senior management team is well supported by a pool of internationally competitive talent. We attract high-caliber talent globally through diverse channels and benefit tremendously from the strong support of our elite R&D team, including top-notch scientists. As of September 30, 2024, we had an R&D team of over 5,500 professionals in various therapeutic areas. Nearly 60% of our R&D team members hold a master's degree or a Ph.D. or M.D. Many of them have prior work experience at multinational pharmaceutical companies, such as Pfizer, Novartis, Merck, and Eli Lilly and Company, as well as renowned research institutes, such as Yale School of Medicine, Heidelberg University, and the University of Texas Southwestern Medical Center. Moreover, over 30% of our mid-level or above management members as of November 30, 2024 have overseas education or work experience. We believe that our talented team has played a critical role in our growth and will continue to drive our innovation and success in developing effective innovative therapies.

OUR STRATEGIES

Our mission is to promote a healthier life for humankind through advancements in science. We will implement the following strategies to achieve our goal:

Accelerate our global expansion to address immense unmet medical needs worldwide

Leveraging our well-established leading position in China, global network of business partners and R&D centers, and sales coverage in more than 40 overseas markets, we are committed to accelerating our global expansion and leveraging our global-standard innovation capabilities to address immense unmet medical needs worldwide.

We will accelerate our integration into the global pharmaceutical market by increasing our innovative drugs' international recognition and accessibility. To achieve this goal, we will carry out and advance multi-regional clinical trials for more of our innovative drugs and further expand the therapeutic areas and indication coverages of our innovative products for the global market. In addition, we will seek to obtain facilitated regulatory pathways for more of our drug candidates from overseas regulators to quickly bring them to the market and benefit patients.

As part of our global strategy, we will focus on developing innovative drugs with first-in-class or best-in-class potential to quickly penetrate key markets around the globe and enhance our brand's global recognition. Along with this strategy and leveraging our robust innovative product pipeline, we will proactively explore more out-licensing opportunities to augment our global presence. We plan to partner with global peers that we believe can help accelerate development and commercialization of our innovative products in overseas markets and maximize the value of our highly differentiated innovative drugs and drug candidates. We will also pursue overseas collaboration opportunities for our drugs with a view to promoting our brand recognition in the medical community and boosting our global market share.

Moreover, we will explore in-licensing and co-development opportunities for global peers' drug candidates, particularly those with innovative modalities or targets and great market potentials. We intend to in-license drugs that complement our existing product matrix in our major therapeutic areas and potentially deliver favorable treatment outcomes to address significant medical needs in China and globally.

Aside from organic growth, we also intend to selectively acquire or invest in overseas pharmaceutical or biotechnology companies, including those with attractive drug assets or strong R&D, manufacturing, or commercialization capabilities. Through these acquisitions and investments around the globe, we expect to rapidly and efficiently deepen our penetration in key markets, complement our existing product matrix, and achieve synergies with our existing capabilities and network.

To support our global footprint, we will boost our brand recognition in the global pharmaceutical community through enhanced branding initiatives. We will also participate in exhibitions, conferences, and seminars to showcase our products, connect with global peers, and enhance our international influence. In line with our commitment to social responsibility, we will continue to contribute to international charity endeavors, which we believe can further enhance our brand image.

Further bolster our R&D capabilities to develop more highly differentiated innovative drugs

Building on our decades of innovation efforts, we have established an industry-leading matrix of commercialized and pipeline innovative drugs. We intend to solidify and advance this position by further bolstering our R&D capabilities to develop more differentiated, high-quality innovative drugs, with an aim to address significant and growing unmet medical needs. In particular, as part of our China strategy, we will follow a multi-pronged R&D approach and devote more resources to developing therapeutics with our extensive toolkit of technologies and modalities and in different dosage forms, as well as combination therapies, that provide comprehensive treatment options for high-incidence diseases, such as Alzheimer's Disease, Parkinson's Disease, HCC, and cardiovascular diseases. In addition, we will maintain our seamless drug roll-out cycle by advancing clinical development, registration, and commercialization of our drug candidates, while at the same time swiftly replenishing our pipeline through continuous research and drug discovery.

We will continue to upgrade our comprehensive technology platforms and accelerate the evolution of our existing modalities to propel our development of more innovative monotherapies and combination therapies that offer better safety and efficacy to satisfy the significant unmet medical needs. For example, we are developing a new generation of site-specific conjugation techniques with proprietary intellectual property to enhance ADC homogeneity. In addition, we are developing new payloads (toxin molecules) with various MOAs for different tumor types. These innovative small molecule toxins will help us overcome ADC resistance, expand therapeutic areas and indications, and yield a more diverse AXC product portfolio. We also seek to apply PROTAC technology in more indications and therapeutic areas in combination with our other drugs or modalities. We expect that continuous enhancements to our platforms will allow us to rapidly roll out new drugs to cover a broader spectrum of indications, thus significantly expanding our patient reach.

In addition to self-development, we will actively explore opportunities to collaborate with leading biopharmaceutical companies, universities, and research institutes through arrangements such as technology in-licensing, joint laboratories, and collaborative research to accelerate our adoption of cutting-edge technologies. We also intend to selectively pursue strategic alliances, joint ventures, and acquisitions to deepen our research in areas such as RNA drugs and polymer drugs, thus creating a diversified innovation ecosystem. Meanwhile, we intend to provide all-round support and services to startup companies by building a comprehensive incubation platform integrating incubation of research results, entrepreneurship counseling, investment, financing, and market access. Through these efforts, we expect to collaborate with startups on promising projects at an early stage, thus providing additional impetus to our innovation capabilities.

Identifying differentiated, high-value innovative targets to treat diseases at an early stage will remain a key research focus for our drug discovery. We will actively screen novel targets worldwide to enhance our ability to discover first-in-class molecules. At the same time, we will use our expertise in translational medicine to improve the predictability and success of our drug discovery and expedite the validation of molecule candidates.

Furthermore, by applying our patient-oriented clinical development strategy, we will aim to swiftly and cost-effectively advance the clinical development of our product candidates by leveraging our end-to-end clinical development capabilities and extensive network of clinical investigators and trial sites. For our potentially first-in-class or best-in-class products, we will proactively advance their multi-regional clinical trials to achieve concurrent IND submissions globally and pursue facilitated regulatory pathways to accelerate their time to market. As part of this approach, we will actively monitor our trials' adherence to regulatory standards and enhance communications with regulatory authorities to facilitate a smooth regulatory approval process.

In line with our global expansion, we intend to expand our R&D network by establishing and expanding our presence in biotechnology hubs to focus on cutting-edge technologies and collaboration with more top-tier research institutes and biotechnology companies. We will also pursue seamless collaboration among our R&D teams around the globe to expedite the commercialization of our research results. Moreover, we will continue to monitor developments in emerging technologies, such as biotechnology, new materials, and artificial intelligence, and we may consider acquiring technologies through investments and collaborations to drive innovation.

Further strengthen our manufacturing system supported by global-standard quality system

In line with the expansion of our matrix of innovative products, we intend to expand our production capacity in China, in particular to support the ongoing commercialization of our innovative product candidates. In addition, we will continue to upgrade our existing production facilities, with a focus on improving our production efficiency, increasing the modalities we manufacture, and ensuring compliance with global GMP standards, to meet increasing demand for our high-quality innovative drugs in China and around the globe. For example, we are upgrading our production facility in Xiamen, which will primarily manufacture high-end drug substances for modalities such as siRNAs and peptides across multiple therapeutic areas. This production facility will comply with global quality standards, including the EU GMP and the U.S. cGMP, and adopt cutting-edge automated production lines and intelligent management systems to significantly enhance production efficiency. Upon completion of its construction, this production facility will substantially increase our high-end API production capacity, thus further strengthening our manufacturing capabilities across both drug substances and products.

In addition, we intend to strengthen our manufacturing capabilities by establishing production facilities in key markets around the globe. We plan to prioritize regions with adequate supply chain facilities, cost advantages, and a favorable regulatory environment. By establishing overseas production facilities, we expect to further optimize our supply chains and reduce logistical expenses associated with our drugs for clinical trials, registration approvals, and commercialization in those markets. This will also allow us to be more responsive to local patients' demand for timely access to our products. Along with these initiatives, we also plan to strengthen our collaboration and coordination with our domestic and international suppliers to ensure stable supplies of drug substances and other raw materials.

We are committed to building and upgrading our production facilities with state-of-the-art equipment supported by global-standard quality system. To fulfill this commitment, we intend to ensure that our relevant production facilities comply with or exceed applicable GMP standards, such as the EU GMP, the U.S. cGMP, and the ICH Quality Guidelines. We believe this approach will enable us to effectively manage our scale-up process, ensure our products' compliance with world-class safety and quality standards, and reinforce our reputation as a trusted pharmaceutical manufacturer.

Further enhance our commercialization capabilities in China and around the globe

We are committed to further enhancing our commercialization capabilities in China and around the globe to efficiently bring our drug candidates efficiently from bench to bedside. To increase the market acceptance and sales volume of our differentiated innovative drugs, we plan to strengthen our academic promotion efforts and promote their clinical benefits to patients, physicians, and the medical community. We will continue to organize and participate in academic conferences and seminars and collaborate with leading research institutes, key opinion leaders, and scholars to enhance our brand recognition. More importantly, we intend to strengthen the medical knowledge of our sales and marketing team and enhance their capabilities in addressing post-market technical issues of our innovative drugs.

We place strong emphasis on increasing our market penetration and sales productivity. We intend to maximize our market reach in China by expanding our coverage of medical institutions in lower-tier cities, rural areas and community healthcare service centers. In addition, we will continue improving our sales productivity by accelerating our digital transformation, including by optimizing our sales management processes, strengthening our online sales capabilities, and enhancing our chronic disease services. Specifically, to boost our strength in the fields of oncology and chronic diseases, we intend to further enhance patient services and improve their long-term disease management through various channels and platforms.

Furthermore, we intend to strengthen our global commercialization. We plan to collaborate with leading local pharmaceutical distribution companies and leverage their channel resources and marketing network to swiftly penetrate key markets around the globe. In addition, to promote the global rollout of our products, we will augment our in-house sales force and increase our local presence by establishing sales offices in key markets around the globe.

Based on the nature of our products and the characteristics of domestic and overseas markets, we will dynamically adjust our pricing strategy, providing a combination of reimbursed products targeting hospitals and self-paid products oriented at consumers. For the products we commercialize in key markets around the globe, we also aim to rapidly integrate them into the relevant health insurance payment systems to maximize their commercial value.

Recruit and retain top-notch talent to fuel our innovation and global expansion

Our talent strategy is driven by the requirements of our business operations. The success of our business growth and global expansion will depend on our ability to recruit and retain highly talented professional R&D, manufacturing, and sales and marketing personnel, as well as an experienced management team.

We will further strengthen our elite scientific research, clinical development, and CMC teams across diverse therapeutic areas. In particular, we intend to recruit top-notch scientists specialized in fields such as biotechnology and precision medicine to accelerate our drug discovery and improve our drug development success rate. These efforts are expected to elevate our overall research capabilities and international competitiveness. In addition, to support our global expansion, we will seek R&D talent with international exposure, including by engaging with global pharmaceutical organizations to build a broad network of international talent connections. To drive innovation, we will also strengthen our training of R&D personnel and provide incentive compensation and other rewards to employees who make outstanding contributions to our innovation efforts.

We also plan to recruit management professionals with extensive strategic planning and execution experience. We intend to leverage their expertise to effectively source, evaluate, and analyze potential M&A and other business development targets to drive the expansion of our global footprint.

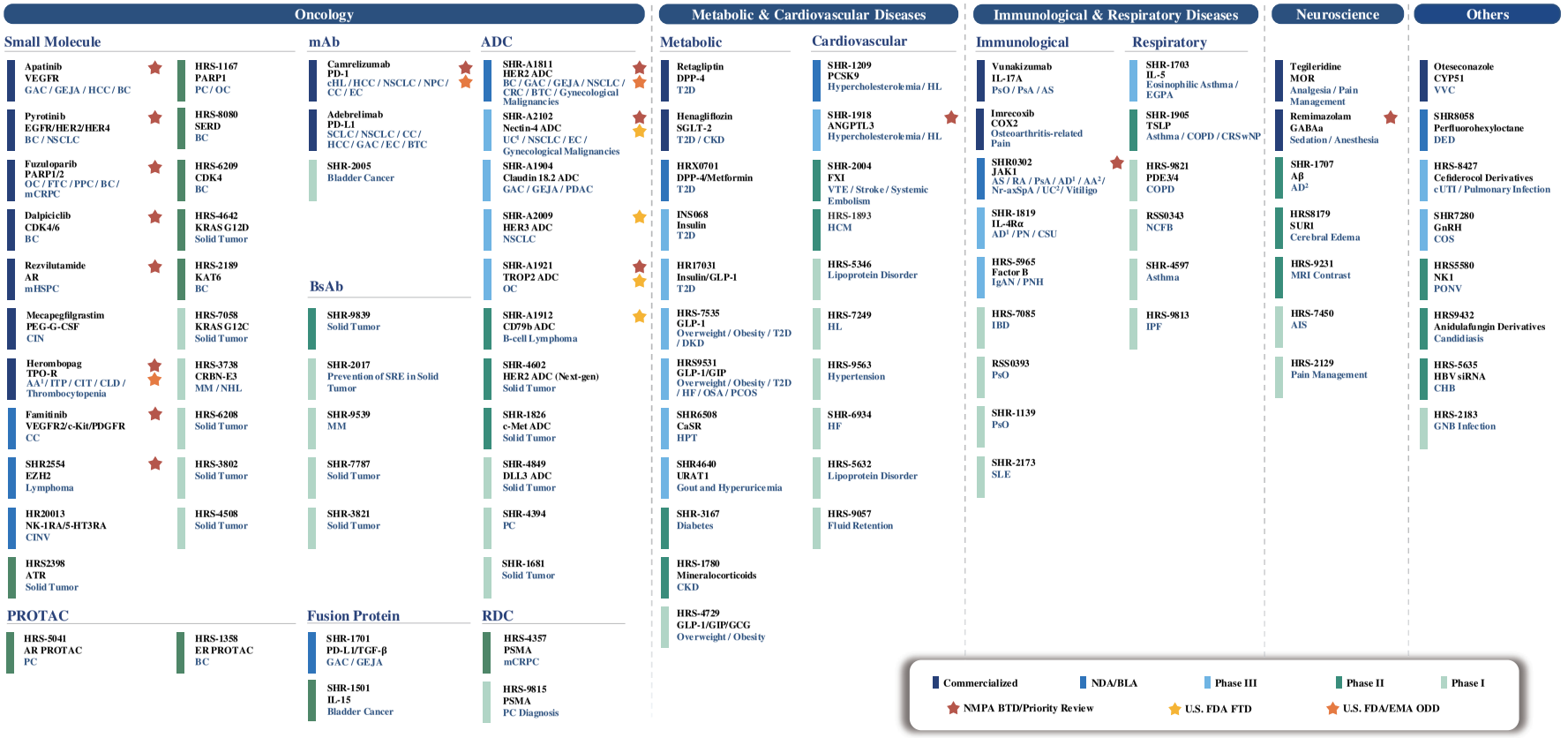
Moreover, we are committed to fostering a culture of continuous learning and innovation among our employees and continuously improving our employees' job satisfaction and stability. As we grow our team internationally, we will also enhance cross-cultural communication within our Group and conduct training to enhance our employees' global perspectives. For example, we intend to provide our staff with more opportunities to participate in overseas training programs and international conferences and help them stay abreast of global cutting-edge technologies. To attract and retain exceptionally talented staff, we will provide better career development opportunities and competitive benefits to incentivize them.

OUR PRODUCTS AND PRODUCT CANDIDATES

Overview

We have an extensive drug portfolio that strategically covers a wide spectrum of therapeutic areas with significant unmet medical needs and growth potential. As of the Latest Practicable Date, we had over 110 commercialized drugs, including 17 NME drugs and four other innovative drugs. In addition, we maintain a sustainable drug roll-out cycle by swiftly replenishing our pipeline through continuous drug discovery and development. For example, in 2022, 2023, and the nine months ended September 30, 2024, in China, we initiated six, 18, and 22 pivotal clinical studies for our innovative drugs and drug candidates, and obtained the approval for first-in-human clinical studies of 19, 23, and 19 of our innovative drug candidates, respectively. Additionally, we submitted eight NDAs/BLAs for our innovative drugs in 2024. As of the Latest Practicable Date, we had a pipeline of over 90 NME drug candidates and eight other innovative drug candidates in clinical or later stages of development, including over 30 innovative drug candidates in pivotal clinical studies or later stages of development.

The chart below presents certain information about our commercialized NME drugs and NME drug candidates in clinical or later stages of development as of the Latest Practicable Date.



Notes: 1. The list is non-exhaustive; 2. Clinical stage of each product/product candidate represents for its most advanced indication(s); 3. Facilitated regulatory pathways from 2018 to the Latest Practicable Date; 4. We have the co-development and exclusive commercialization rights for linperlisib (PI3Kδ) in the Greater China region

Abbreviations: AA[1] = Aplastic Anemia; AA[2] = Alopecia Areata; AD[1] = Atopic Dermatitis; AD[2] = Alzheimer's Disease; AIS = Acute Ischemic Stroke; AS = Ankylosing Spondylitis; BC = Breast Cancer; BTC = Biliary Tract Cancer; CC = Cervical Cancer; CHB = Chronic Hepatitis B; cHL = classic Hodgkin Lymphoma; CIN = Chemotherapy-induced Neutropenia; CINV = Chemotherapy-induced Nausea and Vomiting; CIT = Chemotherapy-induced Thrombocytopenia; CKD = Chronic Kidney Disease; CLD = Chronic Liver Disease; COPD = Chronic Obstructive Pulmonary Disease; COS = Controlled Ovarian Stimulation; CRC = Colorectal Cancer; CRSwNP = Chronic Rhinosinusitis with Nasal Polyps; CSU = Chronic Spontaneous Urticaria; cUTI = complicated Urinary Tract Infection; DED = Dry Eye Syndrome; DKD = Diabetic Kidney Disease; EC = Esophageal Cancer; EGPA = Eosinophilic Granulomatosis with Polyangiitis; FTC = Fallopian Tube Carcinoma; GAC = Gastric Adenocarcinoma; GEJA = Gastroesophageal Junction Adenocarcinoma; GNB = Gram-negative Bacteria; HCC = HepatocellularCarcinoma; HCM = Hypertrophic Cardiomyopathy; HF = Heart Failure; HL = Hyperlipidemia; HPT = Hyperparathyroidism; IBD = Inflammatory Bowel Disease; IgAN = IgA Nephropathy; IPF = Idiopathic Pulmonary Fibrosis; ITP = Immune Thrombocytopenia; LC = Lung Cancer; mCRPC = Metastatic Castration-Resistant Prostate Cancer; mHSPC = Metastatic Hormone Sensitive Prostate Cancer; MM = Multiple Myeloma; MRI = Magnetic Resonance Imaging; NCFB = Non Cystic-Fibrosis Bronchiectasis; NHL = Non-Hodgkin Lymphoma; NPC = Nasopharyngeal Carcinoma; Nr-axSpA = Non-radiographic Axial Spondyloarthritis; NSCLC = Non-Small Cell Lung Cancer; OC = Ovarian Cancer; OSA = Obstructive Sleep Apnea; PC = Prostate Cancer; PCOS = Polycystic Ovary Syndrome; PDAC = Pancreatic Ductal Adenocarcinoma; PN = Prurigo Nodularis; PNH = Paroxysmal Nocturnal Hemoglobinuria; PONV = Postoperative Nausea and Vomiting; PPC = Primary Peritoneal Carcinoma; PsA = Psoriatic Arthritis; PsO = Psoriasis; RA = Rheumatoid Arthritis; SCLC = Small Cell Lung Cancer; SLE = Systemic Lupus Erythematosus; SpA = Spondyloarthritis; SRE = Skeletal-related Event; T2D = Type 2 Diabetes; UC[1] = Urothelial Carcinoma; UC[2] = Ulcerative Colitis; VTE = Venous Thromboembolism; VVC = Vulvovaginal Candidiasis

Our revenue from sales of innovative drugs as a percentage of our total revenue increased from 38.1% in 2022 to 43.4% in 2023 and further to 47.7% in the nine months ended September 30, 2024. The following table summarizes selected information relating to our 17 commercialized NME drugs.

Therapeutic Area	Product	Target (Modality)	Approved Indication(s)	Time of First Approval	Year of First Inclusion in NRDL	Source
Oncology	Adebrelimab (AiRuiLi®)	PD-L1 (mAb)	• Combo with carboplatin and etoposide for 1L ES-SCLC	February 2023	NA	In-house developed
	Linperlisib (YinTaRui®)★	PI3Kδ (small molecule)	• r/r FL in adult patients after 2L+ systematic treatment	November 2022	2023	Note (1)
	Rezvilutamide (AiRuiEn®)★	AR (small molecule)	• mHSPC with high tumor burden	June 2022	2022	In-house developed
	Dalpiciclib (AiRuiKang®)★	CDK4/6 (small molecule)	• Combo with fulvestrant for relapsed or metastatic HR+/HER2- BC progressed after ET; and • Combo with aromatase inhibitor for 1L ET in LA/M HR+/HER2- BC	December 2021	2022	In-house developed
	Herombopag (HengQu®)★	TPO-R (small molecule)	• Adult patients with chronic primary ITP who have previously responded poorly to treatments such as glucocorticoids and immunoglobulins; and • Adult patients with severe AA who are refractory to ISx therapy	June 2021	2021	In-house developed
	Fuzuloparib (AiRuiYi®)★	PARP1/2 (small molecule)	• Maintenance therapy for advanced EOC, FTC, or PPC in adult patients after CR/PR from platinum-containing chemo; • Platinum-sensitive gBRCA-mut recurrent OC, FTC, or PPC after 2L+ chemo; • Maintenance therapy for platinum-sensitive recurrent EOC, FTC, or PPC in adult patients after platinum-containing chemo; and • Monotherapy or combo with apatinib for gBRCA-mut metastatic HER2- BC in adult patients	December 2020	2021	In-house developed
	Camrelizumab (AiRuiKa®)★	PD-1 (mAb)	• r/r cHL after at least two systematic therapies; • Advanced HCC after sorafenib and/or lenvatinib and/or oxaliplatin-containing chemo; • Combo with pemetrexed+carboplatin for unresectable LA/M EGFR-mut negative ALK-negative 1L NSCLC; • LA/M ESCC progressed after or intolerable to 1L chemo; • Advanced NPC progressed after or intolerable to 2L+ chemo; • Combo with cisplatin+gemcitabine for 1L locally relapsed or metastatic NPC; • Combo with cisplatin+paclitaxel for 1L unresectable locally advanced/relapsed or metastatic ESCC; • Combo with carboplatin+paclitaxel for 1L LA/M sNSCLC; and • Combo with apatinib for 1L unresectable or metastatic HCC	May 2019	2020	In-house developed
	Mecapegfilgrastim (AiDuo®)	PEG-G-CSF (small molecule)	• Chemo-induced neutropenia in adults with nonmyeloid malignant cancers	May 2018	2019	In-house developed
	Pyrotinib (AiRuiNi®)★	EGFR/HER2/HER4 (small molecule)	• Combo with trastuzumab+docetaxel for relapsed or metastatic advanced HER2+ BC patients without previous HER2 treatment; • Combo with capecitabine for relapsed or metastatic HER2+ BC with/without previous trastuzumab treatment; and • Combo with trastuzumab+docetaxel for neoadjuvant treatment for early or LA HER2+ BC	August 2018	2019	In-house developed
	Apatinib (AiTan®)★	VEGFR (small molecule)	• Advanced GAC or GEJA progressed or relapsed after at least 2Ls of systematic chemo; • Advanced HCC failed or intolerable after at least 1L systemic therapy; • Combo with camrelizumab for 1L unresectable or metastatic HCC; and • Combo with fuzuloparib for gBRCA-mut metastatic HER2- BC in adult patients	October 2014	2017	In-house developed

Therapeutic Area	Product	Target (Modality)	Approved Indication(s)	Time of First Approval	Year of First Inclusion in NRDL	Source
Metabolic and Cardiovascular Diseases	Retagliptin (RuiZeTang®)	DPP-4 (small molecule)	• Monotherapy/combo with metformin to improve glycemic control in adult patients with type 2 diabetes, in combination with diet and exercise	June 2023	2023	In-house developed
	Henagliflozin (RuiQin®)	SGLT-2 (small molecule)	• Monotherapy/combo with metformin/combo with metformin + retagliptin to improve glycemic control in adult patients with type 2 diabetes, in combination with diet and exercise	December 2021	2022	In-house developed
Immunological and Respiratory Diseases	Vunakizumab (AnDaJing®)	IL-17A (mAb)	• Adults with moderate-to-severe plaque PsO who are eligible for receiving systemic therapy or phototherapy	August 2024	NA	In-house developed
	Imrecoxib (HengYang®)	COX2 (small molecule)	• Osteoarthritis-related pain	June 2011	2017	In-house developed
Neuroscience	Tegileridine (AiSuTe®)	MOR (small molecule)	• Post-operative moderate-to-severe analgesia for abdominal surgeries	January 2024	2024	In-house developed
	Remimazolam (RuiBeiNing®)★	GABAa (small molecule)	• Sedation and anesthesia in non-intubated surgery/operation; and induction and maintenance of general anesthesia	December 2019	2021	In-house developed
Others	Oteseconazole (Rubicam®)	CYP51 (small molecule)	• Severe VVC	June 2023	2024	Note (2)

Abbreviations: 1L = first -line; 2L = second-line; AA = aplastic anemia; AS = ankylosing spondylitis; BC = breast cancer; BRCA = BReast CAncer gene; cHL = classic Hodgkin Lymphoma; chemo = chemotherapy; combo = combination; EOC = epithelial ovarian carcinoma; ESC = esophageal squamous carcinoma; ESCC = esophageal squamous cell carcinoma; ES-SCLC = extensive-stage small cell lung cancer; ET = endocrine therapy; FL = follicular lymphoma; FTC = fallopian tube carcinoma; GAC = gastric adenocarcinoma; GEJA = gastroesophageal junction adenocarcinoma; HCC = hepatocellular carcinoma; HER2- = human epidermal growth factor receptor 2-negative; HR = hormone receptor; ITP = immune thrombocytopenia; ISx = immunosuppressive; LA = locally advanced; LA/M = locally advanced or metastatic; mHSPC = metastatic hormone sensitive prostate cancer; NPC = nasopharyngeal carcinoma; NSCLC = non-small cell lung cancer; OC = ovarian cancer/carcinoma; PPC = primary peritoneal carcinoma; r/r = relapsed, refractory; PsO = psoriasis; sNSCLC = squamous non-small cell lung cancer; VVC = vulvovaginal candidiasis

★ Indicates that the product has received facilitated regulatory pathway for certain indication(s), such as the NMPA breakthrough therapy designation, NMPA priority review, U.S. FDA fast track designation, U.S. FDA orphan drug designation, or EMA orphan drug designation.

(1) In February 2021, we entered into a strategic cooperation agreement with Yingli Pharma, pursuant to which Yingli Pharma granted us the right to co-develop and the exclusive right to commercialize linperlisib, a new generation of small molecule inhibitor of phosphoinositide 3-kinase delta (PI3Kδ), in the Greater China region. See "—Collaboration and Licensing Arrangements—In-Licensing and Co-Development Arrangements—Strategic Cooperation Agreement with Yingli Pharma."

(2) In June 2019, we entered into an exclusive agreement with Mycovia Pharmaceuticals to develop and commercialize its investigational drug, otesaconazole (also known as VT-1161), in the Greater China region. For details, see "—Collaboration and Licensing Arrangements—In-Licensing and Co-Development Arrangements—Collaboration and License Agreement with Mycovia Pharmaceuticals."

We are conducting clinical studies targeting an array of indications for our commercialized innovative drugs, both as a monotherapy and as part of a combination therapy, in China and around the globe. The following chart sets forth selected information on the indication expansions of our commercialized NME drugs as of the Latest Practicable Date.

	Drug Name/ Code	Target(s)	Mono/Combo	Indication(s)	Phase I	Phase II	Phase III	NDA/BLA
Oncology	Adebrelimab	PD-L1	Combo	1L limited-stage SCLC	China			
			Combo	Perioperative treatment of resectable Stage II/III NSCLC	China			
			Combo (SHR-8068 + doublet chemo)	1L STK11/KEAP1/KRAS mutated advanced or metastatic non-squamous NSCLC	China			
			Combo (SHR-8068 + bevacizumab)	Advanced HCC	China			
			Combo	Locally advanced CC	China			
			Combo (SHR-8068 + chemo)	Advanced NSCLC	China			
			Combo (SHR-8068 + chemo)	Advanced GAC or EC	China			
			Combo (SHR-8068 + chemo)	1L advanced BTC	China			
	Camrelizumab	PD-1	Combo (famitinib)	Recurrent metastatic CC	China			
			Combo (apatinib)	1L advanced HCC	U.S., EU, APAC (including China)[1]			
			Mono	Relapsed and refractory cHL	China			
			Combo (TACE + apatinib)	Unresectable HCC	China			
			Combo	Unresectable locally advanced EC	China			
			Combo (famitinib)	1L advanced CC	China			
	Dalpiciclib	CDK4/6	Combo	Adjuvant therapy for HR+/HER2- BC	China			
	Fuzuloparib	PARP1/2	Combo (abiraterone)	mCRPC	U.S., EU, APAC (including China)			
	Pyrotinib	EGFR/ HER2/HER4	Mono	Extended adjuvant therapy for HER2+ BC	China			
			Mono	Advanced non-squamous NSCLC with HER2 mutation	U.S., EU, APAC (including China)			
	Rezvilutamide	AR	Mono	mHSPC	EU, China[2]			
	Herombopag	TPO-R	Combo	Primary treatment of severe AA	China			
			Mono	CIT	China			
			Mono	Children with ITP	China			
			Mono	CLD with thrombocytopenia from invasive procedures or surgeries	China			
			Mono	CIT	U.S., EU, AU			
			Combo	Primary treatment of non-severe AA	China			
Metabolic	Henagliflozin	SGLT-2	Mono	CKD	China			
Immunological	Vunakizumab	IL-17A	Mono	Active AS in adults	China			
			Mono	Moderate-to-severe chronic plaque PsO in children and adolescents	China			
			Mono	PsA	China			
Neuroscience	Tegileridine	MOR	Mono	Moderate-to-severe pain after orthopedic surgery	China			
	Remimazolam	GABAa	Mono	ICU sedation with mechanical ventilation	China			

Notes:

(1) China: approved; U.S.: BLA filed; Europe: Phase III

(2) China: approved; Europe: Phase III

The following chart sets forth selected information on our NME drug candidates in clinical or later stages of development as of the Latest Practicable Date.

		Drug Name/ Code	Target(s)	Mono/Combo	Indication(s)	Phase I	Phase II	Phase III	NDA/BLA
Oncology	Small Molecule	SHR2554	EZH2	Mono	Relapsed and refractory PTCL	China			
				Combo	T-cell lymphoma	China			
				Mono	Relapsed and refractory FL	China			
				Mono	Refractory/relapsed T-cell lymphoma	China			
		HR20013	NK-1RA/ 5-HT3RA	Mono (FDC)	Highly emetogenic CINV	China			
				Mono (FDC)	Nausea and vomiting caused by anti-tumor drugs that pose moderate emetic risk	China			
		HRS2398	ATR	Combo	Advanced solid tumors	China			
		HRS-1167	PARP1	Combo	Advanced PC	China			
				Combo (bevacizumab)	Relapsed OC	China			
				Mono	Advanced solid tumors	China			
		HRS-8080	SERD	Combo (dalpiciclib)	ER+/HER2- unresectable or metastatic BC	China			
				Mono/Combo	Advanced BC	China			
		HRS-6209	CDK4	Combo (HRS-8080/HRS-1358)	Advanced BC	China			
				Mono	Advanced solid tumors	China			
		HRS-4642	KRAS G12D	Combo	Advanced solid tumors with KRAS G12D mutations	China			
				Mono	Advanced solid tumors	China			
		HRS-2189	KAT6	Combo	Advanced BC	China			
				Mono	Advanced malignant tumors	China			
		HRS-7058	KRAS G12C	Mono	Advanced solid tumors	China			
		HRS-3738	CRBN-E3	Mono/Combo	MM and NHL	China			
		HRS-6208	-	Mono	Advanced malignant solid tumors	China			
		HRS-3802	-	Mono	Advanced malignant solid tumors	China			
		HRS-4508	-	Mono	Advanced malignant solid tumors	China			
	PROTAC	HRS-5041	AR PROTAC	Combo	Advanced PC	China			
				Mono	mCRPC	China			
				Mono	mCRPC	AU			
		HRS-1358	ER PROTAC	Mono/Combo (dalpiciclib)	Advanced BC	China			
	Fusion Protein	SHR-1701	PD-L1/TGF-β	Combo (chemo)	1L advanced or metastatic GAC/GEJA	China			
				Mono	Advanced solid tumors	AU			
		SHR-1501	IL-15	Combo (BCG bladder perfusion)	Non-muscle invasive bladder cancer	China			
	mAb	SHR-2005	-	Mono	Bladder cancer	China			
	BsAb	SHR-9839	-	Combo	Advanced solid tumors	China			
				Mono	Advanced solid tumors	China			
		SHR-2017	-	Mono	Prevention of SRE in patients with bone metastases from solid tumors	China			
		SHR-9539	-	Mono	MM	China			
		SHR-7787	-	Mono	Advanced malignant solid tumors	China			
		SHR-3821	-	Mono	Advanced malignant solid tumors	China			
	ADC	SHR-A1811	HER2 ADC	Mono	2L+ locally advanced or metastatic HER2 mutant NSCLC	China			
				Mono	HER2+ metastatic BC	China			
				Mono	HER2-low recurrent/metastatic BC	China			
				Mono	Adjuvant therapy for HER2+ BC	China			
				Combo	HER2+ recurrent or metastatic BC	China			
				Mono	3L advanced HER2+ CRC	China			
				Mono	1L HER2-mutated advanced or metastatic NSCLC	China			
				Combo (fuzuloparib)	Advanced solid tumors with HER2 expression	China			
				Combo (pyrotinib/adebrelimab)	1L advanced NSCLC with HER2 mutation, amplification, or overexpression	China			
				Combo	HER2-low metastatic or unresectable BC	China			
				Mono	HER2-expressing gynecological malignancies	China			
				Combo (adebrelimab + chemo)	Advanced HER2-expressing GAC/GEJA	China			
				Mono	Locally advanced unresectable or recurrent metastatic BTC with HER2 expression/amplification	China			
				Mono	GAC/GEJA and CRC	China			
				Mono	Advanced solid tumors	U.S., AU, APAC(1)			

Note:

(1) Including China.

		Drug Name/ Code	Target(s)	Mono/Combo	Indication(s)	Phase I	Phase II	Phase III	NDA/BLA
Oncology	ADC	SHR-A2102	Nectin-4 ADC	Mono	2/3L locally advanced or metastatic UC	China			
				Combo (adebrelimab)	Locally advanced or metastatic EC	China			
				Mono	Advanced gynecological malignancies	China			
				Combo	Locally advanced or metastatic NSCLC	China			
				Combo (adebrelimab)	Advanced UC	China			
				Mono	Advanced solid tumors	U.S.			
				Mono	Advanced solid tumors	China			
		SHR-A1904	Claudin 18.2 ADC	Mono	2L advanced CLDN18.2+ GAC/GEJA	China			
				Combo (adebrelimab)	Advanced CLDN18.2+ solid tumors	China			
				Mono	Advanced PDAC	China			
				Mono	Advanced solid tumors	China			
				Mono	Advanced solid tumors	U.S., AU			
		SHR-A2009	HER3 ADC	Mono	EGFR-mutated advanced or metastatic NSCLC with failed EGFR TKI therapy	China			
				Combo	Advanced solid tumors	China			
				Mono	Advanced or metastatic solid tumors	China			
				Mono	Advanced solid tumors	Japan, Korea			
		SHR-A1921	TROP2 ADC	With/Without carboplatin	Platinum-sensitive recurrent epithelial OC	China			
				Mono	Platinum-resistant recurrent epithelial OC	China			
				Combo	Advanced solid tumors	China			
				Mono	Advanced solid tumors	U.S., AU			
		SHR-A1912	CD79b ADC	Combo	B-cell NHL	China			
				Mono	B-cell lymphoma	China			
				Mono	B-cell NHL	U.S.			
		SHR-4602	HER2 ADC (Next-gen)	Combo	Advanced HER2-expressing or -mutated solid tumors	China			
				Mono	HER2-expressing or -mutated solid tumors	China			
		SHR-1826	c-Met ADC	Combo	Advanced solid tumors	China			
				Mono	Advanced malignant solid tumors	China			
		SHR-4849	DLL3 ADC	Mono	Advanced malignant solid tumors	China			
		SHR-4394	-	Mono	PC	China			
		SHR-1681	-	Mono	Advanced malignant solid tumors	China			
	RDC	HRS-4357	PSMA	Mono	mCRPC	China			
		HRS-9815	PSMA	Mono	PC diagnosis	China			
Metabolic and Cardiovascular Diseases	Metabolic	HRX0701	DPP-4/ Metformin	Mono (FDC)	T2D	China			
		INS068	Insulin	Mono	T2D	China			
		HR17031	Insulin/ GLP-1	Mono (FDC)	T2D	China			
		HRS-7535	GLP-1 (oral)	Mono	T2D	China			
				Mono	Overweight or obesity	China			
				Mono	DKD	China			
		HRS9531	GLP-1/GIP (injectable)	Mono	Overweight or obesity	China			
				Mono	T2D	China			
				Mono	Obesity with HF	China			
				Mono	Obesity with OSA	China			
				Mono	Obesity with PCOS	China			
			GLP-1/GIP (oral)	Mono (tablet)	T2D and weight management	China			
		SHR6508	CaSR	Mono	Secondary HPT in patients with CKD on MHD	China			
		SHR4640	URAT1	Mono	Primary gout with hyperuricemia	China			
				Combo (febuxostat)	Gout patient with hyperuricemia	China			
		SHR-3167	-	Mono	Diabetes	China			
		HRS-1780	Mineralocorti-coids receptors	Mono	CKD	China			
		HRS-4729	GLP-1/GIP/ GCG	Mono	Overweight or obesity	China			

		Drug Name/ Code	Target(s)	Mono/Combo	Indication(s)	Phase I	Phase II	Phase III	NDA/BLA
Metabolic and Cardiovascular Diseases	Cardiovascular	SHR-1209	PCSK9	Mono	Primary hypercholesterolemia and mixed HL	China			
				Combo (statin)	Primary hypercholesterolemia and mixed HL with poor lipid control	China			
				Mono	Heterozygous FH	China			
		SHR-1918	ANGPTL3	Mono	Homozygous FH	China			
				Mono	HL	China			
		SHR-2004	FXI	Mono	Prevention of VTE after TKA	China			
				Mono	Prevention of postoperative VTE in patients undergoing surgery for OC	China			
				Mono	Reducing the risk of stroke and systemic embolism in patients with AFib	China			
		HRS-1893	-	Mono	Obstructive HCM	China			
		HRS-5346	-	Mono	Lipoprotein disorders	China			
		HRS-7249	-	Mono	HL	China			
		HRS-9563	-	Mono	Hypertension	China			
		SHR-6934	-	Mono	HF	China			
		HRS-5632	-	Mono	Lipoprotein disorders	China			
		HRS-9057	-	Mono	Fluid retention due to HF	China			
Immunological and Respiratory Diseases	Immunological	SHR0302	JAK1	Mono	Moderate-to-severe AD	China, Canada[1]			
				Mono	AS	China			
				Mono	Moderate-to-severe active RA	China			
				Mono	Alopecia areata	China			
				Mono	PsA	China			
				Mono	Active nr-axSpA	China			
				Mono (alkaline ointment)	Mild-to-moderate AD	China			
				Mono	Ulcerative colitis	U.S., Europe, China			
				Mono (alkaline gel)	Vitiligo	China			
		SHR-1819	IL-4Rα	Mono	AD	China			
				Mono	PN	China			
				Mono	CSU	China			
				Mono	AD in children and adolescents	China			
				Mono	AD (healthy volunteers)	China, AU			
		HRS-5965	Factor B	Mono	Anti-C5 naïve PNH	China			
				Mono	Anti-C5 treated PNH	China			
				Mono	IgAN	China			
		HRS-7085	-	Mono	IBD	China			
				Mono	IBD (healthy volunteers)	AU			
		RSS0393	-	Mono	PsO	China			
		SHR-1139	-	Mono	PsO	China			
		SHR-2173	-	Mono	SLE	China			
	Respiratory	SHR-1703	IL-5	Mono	EGPA	China			
				Mono	Eosinophilic asthma	China			
		SHR-1905	TSLP	Mono	Asthma	China			
				Mono	CRSwNP	China			
				Mono	COPD	China			
				Mono	Asthma (healthy volunteers)	AU			
		HRS-9821	PDE3/4	Mono	COPD	China			
		RSS0343	-	Mono	NCFB	China			
		SHR-4597	-	Mono	Asthma	China			
		HRS-9813	-	Mono	IPF	China			
Neuroscience		SHR-1707	Aβ	Mono	Alzheimer's Disease	China			
				Mono	Alzheimer's Disease	AU			
		HRS8179	SUR1	Mono	Cerebral edema associated with LHI	China			
		HRS-9231	-	Mono	Brain/body MRI contrast	China			
				Mono	MRI contrast	AU			
		HRS-7450	-	Mono	AIS	China			
		HRS-2129	-	Mono	Pain management	China			
Others		SHR8058	Perfluorohexylo ctane	Mono	DED associated with MGD	China			
		HRS-8427	Cefiderocol derivatives	Mono	Complicated UTI	China			
				Mono	Pulmonary infection	China			
		SHR7280	GnRH	Mono	COS in ART	China			
		HRS5580	NK1	Mono	Prevention of PONV	China			
		HRS9432	Anidulafungin derivatives	Mono	Candidemia or invasive candidiasis	China			
		HRS-5635	HBV siRNA	Mono	CHB	China			
		HRS-2183	-	Mono	Serious infection caused by gram-negative bacteria	China			

Note:

1. China: NDA filed; Canada: Phase III.

In addition to NME drugs, as of the Latest Practicable Date, we had commercialized four other innovative drugs and developed eight other innovative drug candidates to clinical or later stages of development. These other innovative drugs and drug candidates either contain a new active ingredient other than an NME, or are in a new dosage form of an approved or marketed active ingredient. For example, in December 2023, the NMPA approved our abiraterone acetate tablets (II) (Iregi®) as a new dosage form with prednisone or prednisolone for the treatment of mCRPC and mHSPC. This drug was the first abiraterone acetate nanocrystal preparation approved by the NMPA, according to Frost & Sullivan. It comes with significantly improved bioavailability and mitigates the impact of dietary intake, compared with traditional formulations, thereby improving patient medication adherence. In the same month, the NMPA approved our irinotecan hydrochloride liposomal injection (II) as a new dosage form which, in combination with fluorouracil and leucovorin, is indicated for the treatment of patients with unresectable locally advanced or metastatic pancreatic cancer who failed gemcitabine-based chemotherapy. The clinical study for this drug was the first in the field of pancreatic cancer in China, according to Frost & Sullivan.

Furthermore, as of the Latest Practicable Date, we had 93 commercialized generic drugs, including 55 first-to-market generic drugs approved in China and around the globe. For example, our butorphanol tartrate injection (for pain management) and ioversol injection (for contrast imaging) were both first-to-market generic products approved by the NMPA. We also obtained U.S. FDA approval of three ANDAs for our first-to-market generics in 2024. For example, in October 2024, the U.S. FDA approved our paclitaxel for injection (albumin-bound) as chemotherapy, which was a first-to-market generic product approved by the U.S. FDA.

Oncology

The global oncology pharmaceutical market reached US$228.9 billion in 2023, and is expected to further increase at a CAGR of 9.5% from 2023 to US$360.6 billion in 2028. China's oncology pharmaceutical market reached RMB241.6 billion in 2023, and is expected to further increase at a CAGR of 13.2% from 2023 to RMB448.4 billion in 2028. The unmet medical needs in oncology require the evolution of cancer treatment.

We have established a comprehensive toolkit that enables us to develop high-quality oncology drugs in diverse modalities, covering essential cancer types in China. The breadth of our portfolio maximizes the potential of combination therapies, allowing us to explore regimens that provide meaningful improvements, in particular, on patients' progression-free survival and overall survival, over the current standard of care. We also offer holistic supportive care across the cancer continuum from diagnosis to treatment and prognosis. For example, we offer therapies indicated for the prevention and management of adverse effects during cancer treatment, such as chemotherapy-induced neutropenia, thrombocytopenia, and nausea and vomiting. We aim to improve the patients' quality of life.

Our continued progress in novel cancer therapies and paradigm-shifting innovation efforts are best exemplified by the following product clusters.

Immuno-oncology Drugs

Immunotherapy is a proven method used for the treatment of cancer by regulating anti-tumor immune responses. However, tumor cells escape immune detection by developing immunological tolerance through many pathways, including the upregulation of immunological checkpoint molecules such as PD-1 and PD-L1. As part of our cancer immunotherapies, we have commercialized camrelizumab, a novel anti-PD-1 antibody, and adebrelimab, a novel anti-PD-L1 antibody. For details, see "—Major Commercialized Products—Camrelizumab (AiRuiKa®) (卡瑞利珠單抗(艾瑞卡®))" and "—Major Commercialized Products—Adebrelimab (AiRuiLi®) (阿得貝利單抗(艾瑞利®))."

Additionally, we have developed a series of next-generation immuno-checkpoint modulator candidates with paradigm-shifting potential, such as retlirafusp alfa (SHR-1701), a PD-L1/TGF-β bifunctional fusion protein, and our anti-DLL3/CD3 bispecific antibody. For details, see "—Major Product Candidates—Retlirafusp alfa (SHR-1701)" and "—Major Product Candidates—Anti-DLL3/CD3 Bispecific Antibody."

ADC Drugs

ADC is an innovative biologics drug modality consisting of a biologic component (*i.e.*, the antibody) attached to a small molecule drug (*i.e.*, the cytotoxic payload) via a specifically designed linker. We have established HRMAP, our proprietary ADC platform. It encompasses payloads with different MOAs, optimal conjugation linkers/methods, and well-established antibody discovery and engineering ability. The following are descriptions of the development status of some of our ADC drugs as of the Latest Practicable Date:

- *Trastuzumab rezetecan (SHR-A1811)*, a HER2 ADC with best-in-class potential. Compared to other HER2 ADCs, trastuzumab rezetecan potentially has good efficacy and better safety profiles. Trastuzumab rezetecan was under a priority NDA/BLA review by the NMPA for the treatment of locally advanced or metastatic HER2 mutant NSCLC adult patients who previously received at least one prior line of systemic therapy. Trastuzumab rezetecan (SHR-A1811) had received breakthrough therapy designations from the NMPA for seven indications, which were the most among all clinical-stage drug candidates in China as of the Latest Practicable Date, according to Frost & Sullivan.

- *SHR-A2102*, a Nectin-4 ADC with best-in-class potential. We were conducting a Phase III clinical study of SHR-A2102 versus an investigator-selected therapy in locally advanced or metastatic urothelial carcinoma previously treated with platinum-containing chemotherapy and anti-PD-(L)1 antibodies with or without ADC. It had received a breakthrough therapy designation from the NMPA and a fast track designation from the U.S. FDA.

- *SHR-1826*, a c-Met ADC. We were conducting a Phase Ib/II clinical study of SHR-1826 in China to evaluate its safety, tolerability, and efficacy in combination with other anti-tumor agents in patients with advanced solid tumors. We were also conducting a Phase I clinical study of SHR-1826 in patients with advanced solid tumors.

- *SHR-A1904*, a CLDN18.2 ADC with best-in-class potential. We were conducting a Phase III clinical study to confirm SHR-A1904 as a second-line treatment for advanced or metastatic gastric or gastroesophageal junction adenocarcinoma. In October 2023, we out-licensed an exclusive option to develop, manufacture, and commercialize SHR-A1904 worldwide (outside of mainland China) to a fully owned subsidiary of MRKDG. For details, see "—Collaboration and Licensing Arrangements—Major Out-Licensing Arrangements—Strategic Collaboration and License Agreement with a Fully Owned Subsidiary of Merck KGaA, Darmstadt, Germany."

- *SHR-4849*, a DLL3 ADC. SHR-4849 has strong proliferation inhibitory activity against different tumor cell lines with high and medium expression of DLL3. It also exhibits a significant bystander effect, capable of killing DLL3 low-expressing cells by releasing toxins from the killing of DLL3 high-expressing cells. In May 2024, we obtained the IND approval from the NMPA for conducting a Phase I clinical study of SHR-4849 for the treatment of advanced malignant solid tumors. In December 2024, we out-licensed to IDEAYA Biosciences the exclusive rights to develop, manufacture, and commercialize SHR-4849 worldwide (excluding the Greater China region). For details, see "—Collaboration and Licensing Arrangements—Major Out-Licensing Arrangements—Collaboration and License Agreement with IDEAYA Biosciences."

- *SHR-A2009*, a HER3 ADC with best-in-class potential. SHR-A2009 potentially has better efficacy. We were conducting a Phase III clinical study of SHR-A2009 to confirm its efficacy compared to platinum-based chemotherapy in patients with EGFR mutant, advanced or metastatic NSCLC who have failed EGFR-TKI treatment. It had received a fast track designation from the U.S. FDA.

- *SHR-A1912*, a CD79b ADC with best-in-class potential. We were conducting a Phase I clinical study of SHR-A1912 as a monotherapy, and a Phase II clinical study of SHR-A1912 in combination therapy. SHR-A1912 had received a fast track designation from the U.S. FDA for the treatment of relapsed/refractory diffuse large B-cell lymphoma in patients who have previously received at least two lines of treatment.

ER- and CDK-Targeting Drugs

Hormone receptor-positive breast cancer accounts for approximately 60-70% of all breast cancer cases. In addition to our existing product matrix for the treatment of HER2-positive breast cancer, we take a holistic approach to developing potent breast cancer therapies by regulating both ER and CDK:

- *Regulating the expression of ERs*. We have developed HRS-2189, a novel KAT6-specific inhibitor. HRS-2189 regulates the expression of a variety of downstream oncogenes, including ER, by inhibiting the acetylation of histone lysine, thus enabling an anti-tumor effect.

- *Degrading expressed ERs*. We have developed the following drug candidates to degrade expressed estrogen receptors.

    - *HRS-8080*, a novel, oral, small molecule SERD. HRS-8080 degrades ER in a highly effective and selective manner. It exerts anti-tumor effects by lowering ER protein levels and thus downstream signals, thereby inhibiting tumor cell proliferation. The efficacy in treating breast cancer is improved when used in combination with dalpiciclib, our approved CDK4/6 inhibitor. In a Phase II clinical study, HRS-8080 in combination with dalpiciclib showed durable responses and a favorable safety profile.

    - *HRS-1358*, a novel, oral, small molecule ER PROTAC that elicits ER degradation. HRS-1358 potently and selectively degrades ER protein levels and thus downstream signals, thereby inhibiting the proliferation of tumor cells and exerting anti-tumor effect. As of the Latest Practicable Date, we were conducting a Phase II clinical study of HRS-1358 in combination therapy for the treatment of breast cancer.

- *Regulating downstream kinase under tiered coverage.* We have commercialized dalpiciclib, a novel, orally available CDK4/6 inhibitor that targets cells with a dysregulated cell cycle.

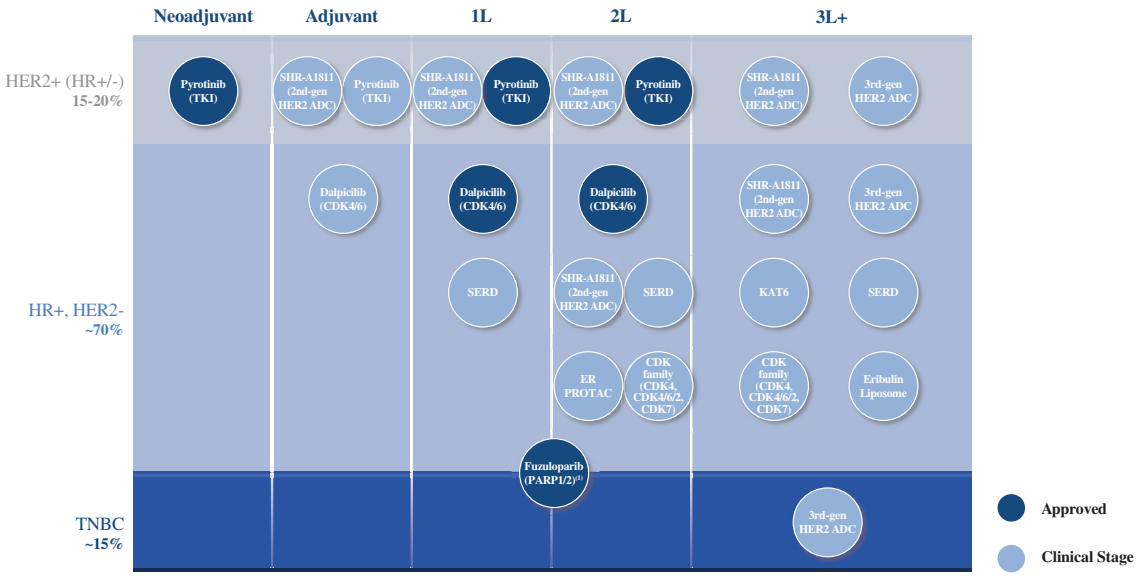
  Intrinsic and acquired resistance to CDK4/6 inhibitors and hematotoxicity of CDK6 inhibition remain major challenges in the medical community. Currently, treatment options for this patient group remain limited, including PI3K/mTORi, endocrine, and chemotherapies. In response, we have developed the following drug candidates.

  - *Highly selective CDK4 inhibitor.* HRS-6209, a novel, highly efficient, highly selective CDK4 inhibitor. HRS-6209 potently inhibits CDK4/cyclin D complex and downstream signals, and induces tumor cell arrest at G1 phase, thus inhibiting tumor cell proliferation and exerting anti-tumor effects. Compared to a CDK4/6 inhibitor, the acceptable efficacy and lower toxicity profiles of a CDK4 inhibitor make it a suitable therapeutic option for patients who require a long-term treatment cycle. As of the Latest Practicable Date, we were conducting a Phase I clinical study of HRS-6209 as monotherapy for the treatment of advanced solid tumor and a Phase Ib/II clinical study of HRS-6209 in combination therapy for the treatment of breast cancer.

  - *CDK7 inhibitor.* We are developing a novel, highly potent and highly selective CDK7 inhibitor. It blocks CDK7-mediated oncogenic effects on the cell cycle through the phosphorylation of other CDKs, and transcription initiation by phosphorylating RNA polymerase II. Cell growth inhibition studies showed its broad activity against a wide range of tumor cell lines. Encouraging activity was also observed *in vivo*. As of the Latest Practicable Date, we were conducting a multicenter, open-label Phase I clinical study to evaluate its safety and tolerability in patients with advanced solid tumors.

  - *CDK4/6/2 inhibitor.* We are developing a novel, small molecule CDK4/6/2 inhibitor, with well-balanced CDK4 and CDK2 inhibiting activities. Early translational research suggested that upregulating cyclin E overexpression, CDK2 hyperphosphorylation, and CDK6 overexpression are potential mechanisms that lead to CDK4/6 inhibitor resistance in breast cancer patients. It is hypothesized that these types of resistance might be overcome by the simultaneous inhibition of CDK2, CDK4 and CDK6.

We have developed a broad drug portfolio targeting a variety of breast cancer subtypes through different therapeutic options, such as ADCs, PARP inhibitors, TKIs, CDK inhibitors, and PROTACs, summarized in the diagram below.



Note:

(1) BRCA mutation, applicable to 1/2L HER2-BC

Source: Company data

RAS-Targeting Agents

RAS is one of the most important oncogenes. The RAS signaling pathway is involved in many important cellular processes such as cell proliferation and survival, differentiation, apoptosis, cytoskeletal movement, protein transport, and secretion. RAS has three different isoforms: KRAS, NRAS, and HRAS, among which KRAS mutations occur in approximately 85% of the cancers with RAS alterations.

According to Frost & Sullivan, RAS pathway mutations are implicated in approximately 20% of the total solid tumor incidence globally. In 2023, globally, there were approximately 4.2 million new cancer cases with RAS mutations, including approximately 1.0 million in China. Mutant KRAS (mKRAS), in particular, drives 25% of solid tumors including non-small cell lung cancer (NSCLC), pancreatic ductal adenocarcinoma (PDAC), and colorectal cancer (CRC), which makes KRAS a promising cancer drug target. The dominant oncogenic mutations of KRAS occur at the codon 12 position, in particular G12D, G12V, and G12C. KRAS has long been considered a challenging therapeutic target. Currently approved KRAS-targeted therapies have shown proof of efficacy; however, their duration of response is relatively short.

We have strategically developed a cluster of innovative drugs targeting the KRAS family.

- *KRAS G12C inhibitor.* As of the Latest Practicable Date, worldwide, four KRAS G12C inhibitors had been approved to treat patients with advanced NSCLC harboring KRAS G12C mutations, according to Frost & Sullivan. However, due to intrinsic or acquired resistance caused by cellular, molecular, and genetic mechanisms, challenges remain in prolonging patients' response to the KRAS G12C inhibitor therapy.

  HRS-7058 is a novel, potent, highly selective, next-generation KRAS G12C inhibitor for the treatment of patients with advanced solid tumors harboring KRAS G12C mutations. HRS-7058 is designed to inhibit both active and inactive forms of KRAS G12C. As of the Latest Practicable Date, we were conducting a Phase I clinical study of HRS-7058 for patients with advanced solid tumor with KRAS G12C mutations.

- *KRAS G12D inhibitor.* Compared to G12C, G12D is most commonly seen in PDAC, a dismal disease with an average 5-year survival rate of 12% due to difficulties in early diagnosis and the lack of effective treatments, according to Frost & Sullivan. As of the Latest Practicable Date, no KRAS G12D inhibitors had been approved worldwide, according to the same source.

  HRS-4642 is a novel, potent, long-acting, and highly selective KRAS G12D inhibitor in liposomal injectable form, with first-in-class potential. HRS-4642 was the first inhibitor targeting KRAS G12D to have reported clinical data globally, according to Frost & Sullivan. In addition, we seek to develop next-generation KRAS G12D inhibitors in orally available formulation.

Major Commercialized Products

Camrelizumab (AiRuiKa®) (*卡瑞利珠單抗(艾瑞卡®)*)

Camrelizumab is a novel anti-PD-1 antibody.

Camrelizumab specifically binds to PD-1, blocking interactions of PD-1 with its ligands. This allows T lymphocyte cells to restore immune response to tumors. After administration, camrelizumab rapidly occupies a large quantity of PD-1 receptors, and it maintains a high level of occupancy. Clinical studies have demonstrated that receptor occupancy continues to exceed 95%, 22 days after the administration of camrelizumab. In addition, camrelizumab has a relatively short half-life, which reduces autoimmune adverse events and facilitates recovery from such events.

Notably, camrelizumab was given in combination with apatinib in a randomized, open-label, international Phase III CARES-310 clinical study, where a total of 543 patients with unresectable or metastatic HCC who had not previously received systemic therapy were included. The clinical study was conducted at 95 trial sites across 13 countries and regions worldwide. In a head-to-head comparison, camrelizumab given in combination with apatinib significantly prolonged the overall survival (OS) and the progression-free survival (PFS), and increased the objective response rate (ORR) as compared with sorafenib, a standard first-line treatment for uHCC, as illustrated in the figure below.

	camrelizumab plus apatinib (n = 272)	**sorafenib (n = 271)**
median OS (95% CI)	23.8 months (20.6-27.2)	15.2 months (13.2-18.5)
median PFS (95% CI)	5.6 months (5.5-7.4)	3.7 months (3.1-3.7)
ORR (95% CI)	26.8 (21.7-32.5)	5.9 (3.4-9.4)

Source: Journal of Clinical Oncology 2024, Volume 42, Number 16 suppl, 4110-4110

The mOS of 23.8 months was the longest among all first-line therapies for uHCC with published clinical study results as of the Latest Practicable Date, according to Frost & Sullivan. The interim results of this Phase III clinical study were published in *The Lancet*, marking it the first such publication for the global Phase III clinical study led by Chinese clinical investigators in oncology.

As of the Latest Practicable Date, camrelizumab in combination with apatinib was the only successful "immunology in combination with TKI" treatment for unresectable and metastatic HCC in China, according to Frost & Sullivan. As of the same date, camrelizumab was an anti-PD-1 antibody approved by the NMPA as a first-line treatment for lung cancer, esophageal cancer, and nasopharyngeal carcinoma, according to the same source.

Camrelizumab received two breakthrough therapy designations from the NMPA in 2020 and 2022, respectively. As of the Latest Practicable Date, camrelizumab had been approved by the NMPA for the treatment of nine indications across various tumor types, all of which had been included in China's NRDL. In addition, in April 2021 and July 2024, respectively, the U.S. FDA and the EMA granted orphan drug designations to camrelizumab as a first-line treatment for advanced HCC.

In terms of indication expansion, in December 2023, the NDA/BLA of camrelizumab in combination with famitinib was accepted by the NMPA for the treatment of patients with relapsed or metastatic cervical cancer that have previously been treated with platinum-based chemotherapy. In October 2024, the U.S. FDA accepted the submission of an NDA for rivoceranib (also known as apatinib) and a BLA for camrelizumab for the combination of

rivoceranib and camrelizumab as a first-line therapy for uHCC made by us, together with our collaboration partner, assigning a Prescription Drug User Fee Act target action date of March 23, 2025, a goal date for the U.S. FDA to decide whether or not to approve such new medication.

As of the Latest Practicable Date, camrelizumab and apatinib had been recommended by several guidelines published by the NHC and the Chinese Society of Clinical Oncology (CSCO).

Pyrotinib (AiRuiNi®) (吡咯替尼(艾瑞妮®))

Pyrotinib is a novel, irreversible, and selective EGFR/HER2/HER4 TKI.

The EGFR family, especially HER2, overexpression features prominently in breast cancer with a significant relation to poor prognosis. Pyrotinib effectively suppresses the growth of these tumor cells through covalent binding to the adenosine triphosphate binding site of the intracellular kinase domains of EGFR, HER2, and HER4. This MOA prevents the formation of homo/hetero-dimers of the EGFR family, inhibits autophosphorylation, and blocks the activation of downstream signaling pathways.

In August 2018, based on a pivotal Phase II clinical study, the NMPA authorized conditional approval of pyrotinib for the treatment of HER2-positive advanced or metastatic breast cancer in patients who had previously been treated with anthracycline or taxane chemotherapy. In 2020, pyrotinib received full approval from the NMPA. In 2022, pyrotinib in combination with trastuzumab and docetaxel was approved by the NMPA for the neoadjuvant treatment of HER2-positive early or locally-advanced breast cancer patients. In 2023, pyrotinib in combination with trastuzumab and docetaxel was further approved by the NMPA as a first-line treatment of HER2-positive patients with relapsed or metastatic breast cancer.

In its confirmatory Phase III clinical study, pyrotinib in combination with capecitabine achieved significantly prolonged mOS compared with lapatinib in combination with capecitabine for HER2-positive metastatic breast cancer (39.4 months versus 28.6 months). In another Phase III clinical study for first-line metastatic breast cancer patients, pyrotinib in combination with trastuzumab and docetaxel significantly prolonged the median PFS as compared with trastuzumab in combination with docetaxel (24.3 months versus 10.4 months). This median PFS of 24.3 months was the longest among all clinical studies of first-line treatments of HER2-positive advanced breast cancer as of the Latest Practicable Date, according to Frost & Sullivan. Based on this positive result, pyrotinib received a breakthrough therapy designation from the NMPA in 2022.

Pyrotinib was (i) the first domestically developed innovative small molecule drug targeting HER2 to have been approved by the NMPA, (ii) the first small molecule drug as a neo-adjuvant treatment for breast cancer to have been approved by the NMPA, and (iii) the first therapy for solid tumors to have received conditional approval in China based on a Phase II clinical study, according to Frost & Sullivan.

As of the Latest Practicable Date, pyrotinib had been recommended by the NHC breast cancer guideline and CSCO guidelines for breast cancer and lung cancer.

Rezvilutamide (AiRuiEn®) (瑞維魯胺(艾瑞恩®))

Rezvilutamide is a second-generation androgen receptor antagonist. In June 2022, rezvilutamide was approved by the NMPA for the treatment of high-volume metastatic hormone-sensitive prostate cancer (mHSPC).

An androgen receptor is a crucial protein involved in the progression of prostate cancer. At the core of rezvilutamide's mechanism is its ability to inhibit the androgen receptor. By blocking the binding of androgen to the androgen receptor, rezvilutamide prevents the subsequent translocation of the androgen receptor to the cell nucleus. This interruption halts the transcription of androgen-responsive genes, which is essential for the growth and survival of prostate cancer cells.

Compared to first-generation androgen receptor antagonists, rezvilutamide innovates on the molecular structure, offering a more favorable pharmacokinetic profile. It demonstrates high binding affinity to the androgen receptor, ensuring effective inhibition at lower dosages. Furthermore, given low blood-brain barrier penetration, the incidence of off-target central nervous system effects associated with rezvilutamide is lower as compared to other androgen receptor pathway inhibitors.

In a randomized, open-label Phase III CHART clinical study, rezvilutamide showed superior efficacy and improved safety profiles. The frequency of serious adverse events such as fatigue and rash caused by rezvilutamide were lower than bicalutamide in combination with ADT, and no seizure of any grade was reported among patients administered with rezvilutamide in this study.

Rezvilutamide was the first domestically developed androgen receptor antagonist approved by the NMPA for the treatment of prostate cancer, according to Frost & Sullivan. As of the Latest Practicable Date, rezvilutamide had been recommended by the CSCO prostate cancer treatment guideline.

Mecapegfilgrastim (AiDuo®) (硫培非格司亭(艾多®))

Mecapegfilgrastim is a novel, long-acting PEGylated recombinant granulocyte colony-stimulating factor (G-CSF) therapy.

In May 2018, mecapegfilgrastim was approved by the NMPA for reducing the incidence of infections manifesting as febrile neutropenia, when adult patients with non-myeloid malignancies receive myelosuppressive anti-cancer drugs that are likely to cause febrile neutropenia.

Mecapegfilgrastim uses innovative polyethylene-glycol-modified protein technology to introduce a thioether group between polyethylene glycol and G-CSF, making the structure safer and more reliable than short-acting G-CSF. In a randomized, multicenter, active-controlled Phase III clinical study, comparing mecapegfilgrastim with short-acting G-CSF, mecapegfilgrastim showed significantly better efficacy compared to short-acting G-CSF.

Prior to the approval of mecapegfilgrastim, filgrastim was the most widely used G-CSF in China for the prevention of chemotherapy-induced neutropenia. However, due to its relatively short half-life, daily filgrastim injections were required to stimulate neutrophil recovery. Mecapegfilgrastim was the only product in China that demonstrates efficacy superior to filgrastim as of the Latest Practicable Date, according to Frost & Sullivan. In particular, the duration of grade ≥3 neutropenia was significantly shortened by 48%. Moreover, mecapegfilgrastim enables once-per-chemotherapy cycle injection, rather than daily injection, contributing to a relatively high medication adherence.

Dalpiciclib (AiRuiKang®) (達爾西利(艾瑞康®))

Dalpiciclib is a novel, orally-administered, selective inhibitor targeting cyclin-dependent kinase 4 and 6 (CDK4/6).

In December 2021, dalpiciclib was approved by the NMPA for the treatment of relapsed or metastatic HR-positive/HER2-negative breast cancer following progression after an endocrine therapy. In June 2023, dalpiciclib in combination with letrozole or anastrozole was approved by the NMPA as a first-line treatment for locally-advanced and metastatic HR-positive/HER2-negative breast cancer.

CDK4/6 inhibitors prevent the G1-to-S phase transition, induce cell-cycle arrest of tumor cells, and selectively inhibit the proliferation of tumor cells with high expression of retinoblastoma protein (Rb). The expression of Rb is found to be highly prevalent in breast cancers, the inhibition of which is critical to the success of CDK4/6 inhibitor therapy.

Dalpiciclib was the first domestically developed innovative CDK4/6 inhibitor approved in China, according to Frost & Sullivan. As of the Latest Practicable Date, dalpiciclib had been recommended by the CSCO breast cancer treatment guideline.

As of the Latest Practicable Date, we were conducting a Phase III clinical study for dalpiciclib as an adjuvant therapy for HR-positive/HER2-negative breast cancer. With a sample size of over 5,000 participants, it was the largest tumor registrational study initiated by a Chinese pharmaceutical company as of the Latest Practicable Date, according to Frost & Sullivan. Moreover, as of the same date, we were conducting a Phase Ib/II clinical study to evaluate the safety and efficacy of dalpiciclib in combination with our HRS-8080 (SERD) for the treatment of ER-positive, HER2-negative unresectable or metastatic breast cancer.

Adebrelimab (AiRuiLi®) (阿得貝利單抗(艾瑞利®))

Adebrelimab is a novel anti-PD-L1 antibody.

In February 2023, adebrelimab in combination with carboplatin and etoposide was approved by the NMPA as a first-line treatment for extensive-stage small cell lung cancer (ES-SCLC). Adebrelimab relieves PD-L1-mediated immune suppression and enhances the function of cytotoxic T cells, enabling it to function as a backbone component in various combination therapies.

As of the Latest Practicable Date, adebrelimab had been recommended by the CSCO guidelines for treatment of lung cancer. As of the same date, we were conducting several clinical studies in China to further expand the spectrum of combination therapies using adebrelimab, including in combination with SHR-8068 (an anti-CTLA-4 antibody), ADC drugs and RAS-targeting agents.

Herombopag (HengQu®) (海曲泊帕(恒曲®))

Herombopag is an orally available, small molecule, non-peptide thrombopoietin receptor (TPO-R) agonist for the treatment of thrombocytopenia (TP) and severe aplastic anemia (SAA). In June 2021, herombopag was approved by the NMPA as second-line treatment for primary immune thrombocytopenia (ITP) and SAA in adults.

Thrombopoietin (TPO) and its receptor TPO-R are the primary regulators of platelet production. Herombopag selectively binds to the transmembrane region of the TPO-R, which, by activating certain signaling pathways, stimulates the proliferation and differentiation of megakaryocytes and promotes platelet production.

Herombopag has demonstrated efficacy in increasing platelet counts, and it is well tolerated with a manageable safety profile. Clinical studies of herombopag demonstrated that patients' platelet counts began to increase within one week of administration, and platelet levels remained above baseline values 18 days after finishing the treatment. Additionally, the incidence of hepatotoxicity and treatment-related adverse reactions was significantly lower than that of competing products for the treatment of these conditions.

Herombopag was the first domestically developed TPO-R agonist approved by the NMPA for the treatment of both SAA and ITP in China, and the oral, small molecule TPO-R agonist with the largest number of indications approved globally, according to Frost & Sullivan. As of the Latest Practicable Date, herombopag was the only small molecule TPO-R agonist classified with a Level II recommendation for the treatment and secondary prevention of the cancer treatment-induced TP (CTIT) in the *CSCO Guidelines for the Diagnosis and Treatment of CTIT (2023 Edition)*.

Major Product Candidates

Trastuzumab rezetecan (SHR-A1811)

Trastuzumab rezetecan, also known as SHR-A1811, is a HER2 ADC with best-in-class potential. It is composed of (i) trastuzumab, an anti-HER2 antibody, (ii) a cleavable linker, and (iii) a novel topoisomerase I inhibitor (TOP1i) payload (*i.e.,* SHR9265).

SHR9265 is an optimized exatecan derivative with high membrane permeability, potent cell-killing efficacy, and an enhanced safety profile. Trastuzumab rezetecan has an optimized drug-to-antibody ratio of 6 and has shown HER2-dependent growth inhibition. Furthermore, it exhibits superior bystander effect, or the ability to induce cell death in neighboring, antigen-negative cancer cells through the release of cytotoxic agents. In a global Phase I clinical study, it demonstrated an ORR of 76.3% in patients with HER2-positive breast cancer and an ORR of 60.4% in patients with HER2 low-expressing breast cancer. In addition, the incidence of interstitial lung diseases (ILD), a key safety indicator, was as low as 2.6% among patients dosed with trastuzumab rezetecan in the same study.

As of the Latest Practicable Date, trastuzumab rezetecan was under a priority NDA/BLA review by the NMPA for the treatment of locally advanced or metastatic HER2-mutant NSCLC adult patients who previously received at least one prior line of systemic therapy. As of the same date, trastuzumab rezetecan had received breakthrough therapy designations from the NMPA for seven indications, which were the most among all clinical-stage drug candidates in China, according to Frost & Sullivan. These seven indications include lung cancer, breast cancer, colorectal cancer, gastric or gastroesophageal junction adenocarcinoma, bile duct cancer, and ovarian cancer.

SHR-A1904

SHR-A1904 is a CLDN18.2 ADC with best-in-class potential. SHR-A1904 is composed of (i) an anti-CLDN18.2 antibody, (ii) a cleavable linker, and (iii) a TOP1i payload (*i.e.*, SHR9265). CLDN18.2 is a tight junction protein and isoform of Claudin 18 that is expressed on a variety of tumor cells. CLDN18.2 is observed in a large fraction of gastric cancers. Approximately 70%-80% of gastric cancer patients exhibit expression of CLDN18.2 in their cancer tissue. In addition, CLDN18.2 is aberrantly expressed in a variety of epithelial solid tumors, including pancreatic, esophageal, ovarian, and lung tumors. SHR-A1904 specifically targets and binds to CLDN18.2 expressed on tumor cells. Upon binding and internalization, the cytotoxic agent is released and kills the CLDN18.2-expressing cancer cells.

In October 2024, we initiated a Phase III clinical study to confirm SHR-A1904 as a second-line treatment for advanced or metastatic gastric or gastroesophageal junction adenocarcinoma.

We have completed a Phase I clinical study in China to evaluate the safety, tolerability, pharmacokinetics, and efficacy of SHR-A1904 in patients with advanced solid tumors. Among patients who had a baseline assessment and at least one post-baseline assessment, ORR and disease control rate (DCR) were 55.6% and 88.9% at 6.0 mg/kg, respectively. As of the Latest Practicable Date, we were conducting a global Phase I/IIa clinical study to evaluate the safety, tolerability, pharmacokinetics, and efficacy of SHR-A1904 in patients with advanced solid tumors.

In October 2023, we out-licensed an exclusive option to develop, manufacture, and commercialize SHR-A1904 worldwide (outside of mainland China) to a fully owned subsidiary of MRKDG. For details, see "—Collaboration and Licensing Arrangements—Major Out-Licensing Arrangements—Strategic Collaboration and License Agreement with a Fully Owned Subsidiary of Merck KGaA, Darmstadt, Germany."

HRS-1167

HRS-1167 is a next-generation highly-selective PARP1 inhibitor with best-in-class potential. In the past, we successfully developed and commercialized fuzuloparib, which was one of the six first-generation PARP inhibitors approved globally. Our extensive experience and in-depth know-how accumulated from our development of this first-generation PARP inhibitor enabled us to expedite our development of HRS-1167.

HRS-1167 exhibited higher selectivity over PARP1 and limited inhibition on PARP2 compared to multi-targeted PARP inhibitors. These features lead to higher efficacy and lower hematotoxicity.

Based on its robust preclinical and clinical data, we out-licensed to a fully owned subsidiary of MRKDG exclusive rights to develop, manufacture, and commercialize HRS-1167 worldwide (outside of mainland China). For details, see "—Collaboration and Licensing Arrangements—Major Out-Licensing Arrangements—Strategic Collaboration and License Agreement with a Fully Owned Subsidiary of Merck KGaA, Darmstadt, Germany." HRS-1167 is currently being investigated with other anti-tumor therapies in global studies.

HRS-4642

HRS-4642 is a novel, potent, long-acting, and highly selective KRAS G12D inhibitor, with first-in-class potential. HRS-4642 uses our proprietary liposomal formulation, and has achieved targeted delivery and longer retention in tumor tissues, thus decreasing systemic toxicities.

As of the Latest Practicable Date, we were conducting Phase Ib/II clinical studies to evaluate the safety, tolerability, and efficacy of HRS-4642 in combination with anti-tumor agents in patients with advanced solid tumors harboring KRAS G12D mutations. HRS-4642 was the first inhibitor targeting KRAS G12D to have reported clinical data globally, according to Frost & Sullivan.

Retlirafusp alfa (SHR-1701)

Retlirafusp alfa, also known as SHR-1701, is a bifunctional fusion protein with first-in-class potential. It is composed of an anti-PD-L1 antibody fused to the extracellular domain of transforming growth factor beta (TGF-β) receptor II.

Retlirafusp alfa is designed to simultaneously block two immunosuppressive signaling pathways, offering a novel therapeutic approach to the treatment of advanced and metastatic cancers. TGF-β plays a critical role in tumor microenvironments. Activation of the TGF-β pathway not only promotes cancer invasiveness, migration, and metastasis, but also has nonredundant immunosuppressive functions compared with the PD-1/PD-L1 pathway. Blocking the TGF-β pathway may enhance T-cell activation and function, making tumors more susceptible to the effects of anti-PD-1/PD-L1 therapy.

Retlirafusp alfa is currently under NDA/BLA review by the NMPA as a first-line therapy for gastric or gastroesophageal junction adenocarcinoma. As of the Latest Practicable Date, retlirafusp alfa was the most clinically advanced PD-L1/TGF-β bifunctional fusion protein globally, and the only PD-L1/TGF-β bifunctional fusion protein with published Phase III clinical study results for the treatment of advanced gastric cancer, according to Frost & Sullivan.

SHR2554

SHR2554 is an oral, small molecule inhibitor exhibiting potent selectivity for enhancer of zeste homolog 2 (EZH2). EZH2 has an essential role in the development of certain lymphomas. SHR2554 effectively inhibits the enzymatic activity of EZH2.

In a Phase I/II clinical study, SHR2554 monotherapy was shown to have achieved significant and clinically meaningful improvement in patients with relapsed or refractory PTCL. In January 2023, the NMPA granted a breakthrough therapy designation to SHR2554 for this indication. In October 2024, the NMPA designated SHR2554 for priority review with respect to its indication for treatment of relapsed or refractory PTCL that had previously received at least first-line systemic treatment.

Anti-DLL3/CD3 Bispecific Antibody

We are developing an anti-DLL3/CD3 bispecific antibody. It specifically binds to both the DLL3 protein and the CD3 protein, enriching CD3-positive T cells around tumor cells expressing the DLL3 antigen. This induces the activation of T cells, and enables them to exert targeted killing effects on tumor cells.

The CD3 binding affinity of this drug candidate was designed to be relatively low, which mitigates non-specific T-cell activation and reduces inflammatory cytokine production in periphery. As of the Latest Practicable Date, we were conducting a Phase I/II clinical study to evaluate its safety, tolerability, pharmacokinetics and efficacy in patients with advanced solid tumors.

HR20013

HR20013 is a mixed formulation of HRS5580 (a novel NK-1 receptor antagonist) and palonosetron (a 5-HT3 antagonist) for intravenous infusion. In combination, these two drugs simultaneously inhibit NK-1 and 5-HT3 pathways. Upon administration, HR20013 aims to suppress chemotherapy-induced nausea and vomiting, as well as nausea and vomiting caused by anti-tumor drugs during treatment that pose moderate emetic risk. Co-administration of multiple antiemetics that inhibit several molecular pathways involved in emesis is required to optimize control of highly emetogenic chemotherapy-induced nausea and vomiting.

In December 2023, our NDA application of injectable HR20013 was accepted by the NMPA for the treatment of patients with highly emetogenic chemotherapy-induced nausea and vomiting.

Anti-RANKL/NGF Bispecific Antibody

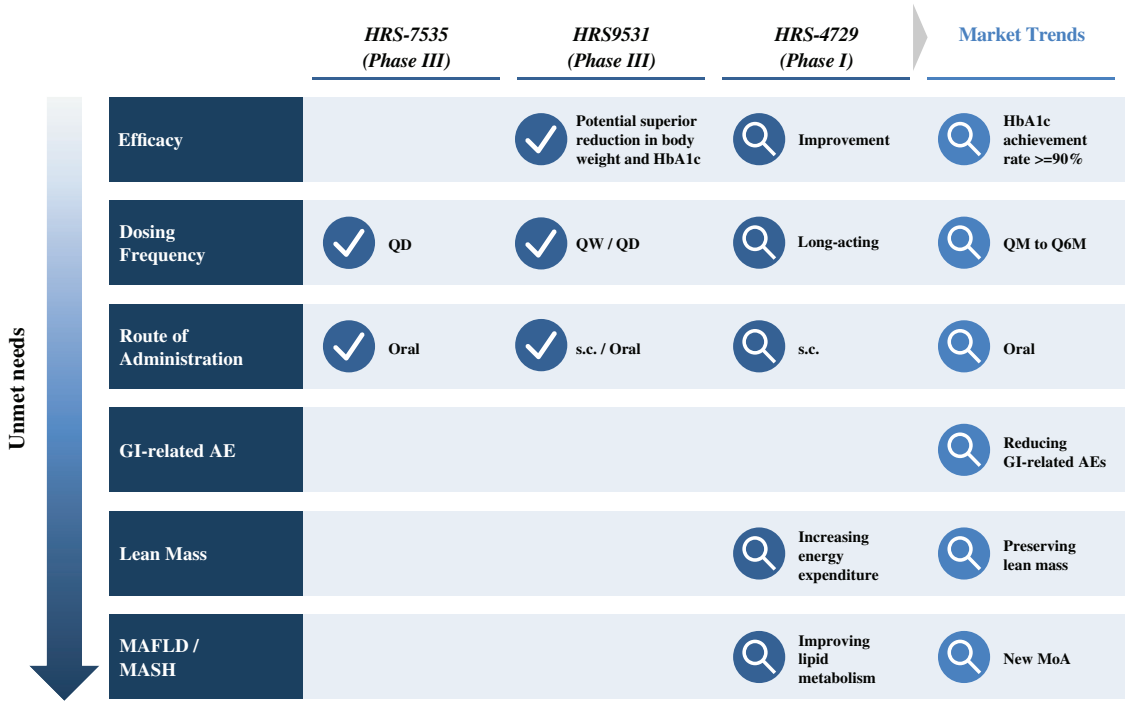
We are developing an IgG4 subtype bispecific antibody targeting receptor activator of NF-κβ ligand (RANKL) and nerve growth factor (NGF). The specific binding of anti-RANKL with RANKL blocks the interaction between RANKL and RANK, inhibits osteoclast formation, proliferation, and therefore inhibits bone resorption and enables bone protection; anti-NGF blocks the binding of NGF to the receptor and its pathway, inhibits pain signaling, and alleviates the pain of bone metastasis. This drug candidate is intended for the prevention of skeletal-related events in patients with bone metastases from solid tumors.

As of the Latest Practicable Date, we were conducting a Phase Ib clinical study to evaluate its safety, tolerability, pharmacokinetics, pharmacodynamic, and efficacy in patients with bone metastases from solid tumors.

Metabolic and Cardiovascular Diseases

The global metabolic and cardiovascular drug market reached US$258.8 billion in 2023, and is expected to further increase at a CAGR of 5.5% from 2023 to US$338.5 billion in 2028. China's metabolic and cardiovascular drug market reached RMB289.3 billion in 2023, and is expected to further increase at a CAGR of 7.4% from 2023 to RMB414.3 billion in 2028.

There has been growing demand for innovative treatments that address the unmet medical needs and provide more flexible drug administration and enhanced efficacy and/or better safety profiles. To address the significant unmet medical needs, as illustrated in the diagram below, we have strategically developed a portfolio of GLP-1 drugs with distinct MOAs and superior clinical profile across multiple modalities, available in both oral and injectable forms. By taking a differentiated approach, we seek to develop drug candidates that enhance energy expenditure, offering a possible therapeutic for obesity.



Source: Company data

Capitalizing on recent scientific insights, we have developed a robust pipeline of highly innovative drug candidates for the treatment of metabolic and cardiovascular diseases, such as a novel myosin inhibitor, a small molecule Lp(a) inhibitor, a novel allosteric modulator of the calcium-sensing receptor, and our anti-ANGPTL3 antibody. Furthermore, we have developed a portfolio of siRNA drug candidates, including an siRNA drug candidate targeting APOC3, and an siRNA drug candidate targeting AGT. With the capability of precise gene silencing and advancements in delivery systems, siRNA therapeutics reduce dosage frequency and improve patient compliance.

Major Commercialized Products

Retagliptin (RuiZeTang®) (瑞格列汀(瑞澤唐®))

Retagliptin is a highly selective, orally-active dipeptidyl peptidase-4 (DPP-4) inhibitor. In June 2023, retagliptin was approved by the NMPA for the treatment of type 2 diabetes. By inhibiting DPP-4, retagliptin prolongs the action of Glucagon-like peptide-1 (GLP-1), which plays a crucial role in the regulation of glucose homeostasis, thereby enhancing glucose-stimulated insulin secretion and reducing blood glucose levels. In terms of the safety profile, retagliptin does not induce risks of weight gaining and hypoglycemia. Based on results of Phase III clinical studies, retagliptin (100 mg QD) as a monotherapy was found to reduce HbA1c (a measure of blood sugar levels over the preceding two to three months) of type 2 diabetes patients by 1.13%. In addition, retagliptin (50 mg BID) as an add-on therapy to metformin was found to reduce HbA1c of type 2 diabetes patients by 1.18%. Retagliptin offers a new therapeutic option for treating patients with type 2 diabetes and is generally well tolerated.

Henagliflozin (RuiQin®) (恒格列淨(瑞沁®))

Henagliflozin is a novel SGLT-2 inhibitor. In December 2021, henagliflozin was approved by the NMPA for the treatment of type 2 diabetes. In June 2024, henagliflozin in combination with metformin and retagliptin was approved by the NMPA for the treatment of type 2 diabetes.

SGLT-2 inhibitors lower blood glucose levels through inhibiting the reabsorption of glucose and sodium in the kidneys, thereby excreting glucose in urine and causing osmotic diuresis. It has demonstrated clinical efficacy in the reduction of HbA1c and fasting blood glucose. Due to SGLT-2 inhibitors' cardiovascular and renal benefits, they have shown promising efficacy in the treatment of patients with type 2 diabetes who have accompanying risk factors.

Based on results of Phase III clinical studies, henagliflozin (5 mg and 10 mg QD) exerted effective glycemic control, reduced body weight and blood pressure, and was generally well tolerated among patients with type 2 diabetes when dosing as monotherapy, add-on therapy to metformin and in combination therapy with metformin and retagliptin. After 24 weeks of treatment, henagliflozin monotherapy achieved a reduction in HbA1c of 0.91% compared to the placebo group (for similar drugs, the reduction ranged from 0.7% to 0.74%). Henagliflozin, adding on to metformin, saw a decrease in HbA1c of 0.76% compared to the placebo group (for similar drugs, the reduction ranged from 0.57% to 0.76%). In addition, the co-administration of henagliflozin and retagliptin and metformin was found to reduce HbA1c by 1.54%. Henagliflozin also demonstrated significant advantages in both its safety profile and patient tolerability, with lower rates of hypoglycemia and urinary tract infection, thus better satisfying patients' long-term medication needs as part of their chronic disease management.

Additionally, in December 2023, a fixed-dose combination of henagliflozin with a metformin sustained-release layer (恒格列淨二甲雙胍(RuiQinDa®(瑞沁達®)) was approved by the NMPA for the treatment of type 2 diabetes in conjunction with dietary control and exercise.

Henagliflozin was the first domestically developed novel SGLT-2 inhibitor approved by the NMPA, according to Frost & Sullivan. As of the Latest Practicable Date, henagliflozin had been recommended by several authoritative treatment guidelines and expert consensuses.

Major Product Candidates

HR17031

HR17031 is a once-daily, novel combination of basal insulin analog (insulin sudelidec, also known as INS068) and GLP-1 receptor agonist (noiiglutide, also known as SHR20004), with best-in-class potential.

HR17031 has demonstrated promising efficacy and a favorable safety profile in a Phase II clinical study. When administered lower dosage, the efficacy of HR17031 for reducing blood glucose levels has been found to be superior to that of basal insulin. Additionally, HR17031 also reduces the risk of hypoglycemia and avoid adverse reactions such as weight gain associated with insulin therapy, providing benefits for patients with type 2 diabetes.

As of the Latest Practicable Date, HR17031 was under Phase III clinical studies. These clinical studies aim to confirm the efficacy and safety of HR17031 injectable solution with insulin glargine among type 2 diabetes patients with poor glycemic control.

HRS-7535

HRS-7535 is a novel, oral, small molecule GLP-1 receptor agonist, which offers convenient drug administration benefits. HRS-7535 activates GLP-1 receptors to promote glucose-stimulated insulin secretion, reduce glucagon secretion, and inhibit gastric emptying. HRS-7535 also enhances satiety and suppresses appetite through central mechanisms, directly reducing energy intake, thereby helping to treat type 2 diabetes and reduce body weight.

In a Phase I clinical study, HRS-7535 exhibited a safety and tolerability profile consistent with other GLP-1R agonists and showed pharmacokinetics properties suitable for once-daily dosing.

As of the Latest Practicable Date, we had completed the first-patient-in for its Phase III clinical studies to confirm the efficacy and safety of HRS-7535 in adults with type 2 diabetes, and the last-patient-in for its Phase II clinical study on obesity treatment. As of the same date, we were also conducting a Phase II clinical study of HRS-7535 for patients with diabetic kidney disease.

HRS9531

HRS9531 is a novel GLP-1 and GIP receptor dual agonist, with best-in-class potential. Regulating GLP-1 and GIP receptors promotes insulin secretion and suppress appetite, thereby helping to reduce weight and lower blood glucose levels. As of the Latest Practicable Date, HRS9531 had been formulated as (i) a once-weekly subcutaneous injection and (ii) a once-daily oral tablet.

In a Phase II clinical study, once-weekly subcutaneous injection of HRS9531 demonstrated that it effectively reduced body weight, blood glucose, blood pressure, and triglycerides in obese adults without diabetes, while demonstrating a favorable safety profile. The clinical results were presented at the 2024 ADA Annual Meeting. At week 24, changes from baseline in body weight were up to -16.8% (placebo: -0.1%). The proportion of participants achieving body weight reduction of at least 5% were up to 92% (placebo: 10.2%).

In another Phase II clinical study on patients with type 2 diabetes, HRS9531 demonstrated that it effectively reduced blood glucose, blood pressure, body weight, while maintaining a favorable safety profile. The clinical results were presented at the 2024 European Association for the Study of Diabetes Annual Meeting. At week 20, changes from baseline in HbA1c were up to -2.7% (placebo: -0.3%). The proportion of patients achieving a target of HbA1c <7.0% and HbA1c <6.5% were up to 90.2% (placebo: 12.8%), and 90.0% (placebo: 2.6%), respectively. Mean percentage changes in body weight reductions from baseline to week 20 were up to -7.1% (placebo: -0.6%).

As of the Latest Practicable Date, we were conducting Phase III clinical studies in overweight/obese participants and patients with type 2 diabetes to confirm efficacy and safety of HRS9531. In addition, as of the same date, we were conducting Phase II clinical studies of HRS9531 for the treatment of other obesity related indications, such as obstructive sleep apnea (OSA), polycystic ovary syndrome (PCOS), and heart failure with preserved ejection fraction (HFpEF).

With respect to the oral formulation of HRS9531, we had obtained the IND approval from the NMPA for its Phase I clinical study as of the Latest Practicable Date.

HRS-4729

HRS-4729 is a GLP-1, GIP, and GCG receptor tri-agonist formulated as a long-acting injectable peptide.

By activating multiple targets, HRS-4729 improves the secretion of insulin, while controlling blood glucose, food intake and body weight. As of the Latest Practicable Date, there were no approved GLP-1/GIP/GCG receptor tri-agonists globally, according to Frost & Sullivan.

In December 2024, we obtained the IND approval of HRS-4729 from the NMPA. In May 2024, we out-licensed to Kailera Therapeutics the exclusive rights to develop and commercialize three of our proprietary GLP-1 drug candidates, HRS-7535, HRS9531, and HRS-4729, worldwide (excluding the Greater China region). For details, see "—Collaboration and Licensing Arrangements—Major Out-Licensing Arrangements—Collaboration and License Agreement with Kailera Therapeutics."

Recaticimab (SHR-1209)

Recaticimab, also known as SHR-1209, is an anti-PCSK9 antibody with best-in-class potential. PCSK9, or proprotein convertase subtilisin/kexin type 9, plays a critical role in regulating cholesterol levels in the blood. PCSK9 inhibitors block the interaction of PCSK9 and the lipoprotein cholesterol receptor LDL receptor. This mechanism enhances LDL-C clearance from blood plasma by increasing hepatic expression of LDL receptors.

In June 2023, our NDA application for SHR-1209 for the treatment of hypercholesterolemia was accepted by the NMPA.

Myosin Inhibitor

We are developing a novel myosin inhibitor for the treatment of hypertrophic cardiomyopathy and related heart failure. This drug candidate potentially offers a superior efficacy profile in reducing obstructive symptoms among target patients and a superior safety profile in preventing or reducing adverse events due to decreased contractility. As of the Latest Practicable Date, we were conducting a Phase II clinical study to evaluate its efficacy and safety in the treatment of obstructive hypertrophic cardiomyopathy.

Lp(a) Inhibitor

We are developing an oral, small molecule inhibitor targeting Lp(a). It exhibits the potential in preventing the risk of atherosclerotic cardiovascular diseases by potently lowering Lp(a). Oral administration is also expected to provide patients with greater convenience. As of the Latest Practicable Date, we were conducting a Phase I clinical study on safety, tolerability, pharmacokinetics, pharmacodynamics and food effects of single and multiple oral doses in healthy subjects.

SHR6508

SHR6508 is a novel allosteric modulator of the calcium-sensing receptor for the treatment of hemodialysis patients with secondary hyperparathyroidism. The calcium-sensing receptor functions to monitor and control calcium levels by releasing parathyroid hormone (PTH) that controls calcium levels in the blood. With enhanced sensitivity to calcium ions, upon administration, SHR6508 may reduce PTH secretion among hemodialysis patients with secondary hyperparathyroidism.

SHR6508 is given intravenously to potentially improve patient compliance and reduce gastrointestinal adverse events. As of the Latest Practicable Date, we were conducting a randomized, double-blinded, double-dummy, multicenter Phase III clinical study for SHR6508 to confirm its efficacy and safety in hemodialysis patients with secondary hyperparathyroidism.

SHR-2004

SHR-2004 injection is an anti-Factor XI(FXI) antibody for the prevention and treatment of arterial and venous thrombosis. FXI is an important component of the intrinsic coagulation pathway which contributes to thrombosis development while plays a relatively limited role in normal hemostasis. SHR-2004 inhibits the activation of FXI by FXIIa with high affinity, leading to the prolongation of activated partial thromboplastin time (APTT) and the reduction of thrombus formation with reduced bleeding risk.

As of the Latest Practicable Date, we had completed a Phase II clinical study of SHR-2004 for the prevention of venous thromboembolism (VTE) after total knee arthroplasty (TKA), and we were conducting a multicenter Phase II clinical study of SHR-2004 for the prevention of VTE after surgery for ovarian cancer.

siRNA Drug Candidate Targeting APOC3

We are developing an siRNA drug candidate targeting APOC3, which inhibits the expression of APOC3 protein through RNA interference. It effectively reduces triglycerides and thereby reduces the risk of ASCVD in patients with hypertriglyceridemia. As of the Latest Practicable Date, we were conducting a Phase I clinical study of this drug candidate.

siRNA Drug Candidate Targeting AGT

We are developing an siRNA drug candidate targeting AGT. AGT is a promising new target for the treatment of resistant hypertension. The AGT gene encodes a protein that is a precursor to angiotensin II, a potent vasoconstrictor that plays a critical role in the regulation of blood pressure. This drug candidate aims to improve patient compliance, reduce blood pressure fluctuations, and reduce the incidence of adverse reactions of traditional antihypertension drugs while ensuring effective blood pressure reduction. As of the Latest Practicable Date, we were conducting a Phase I clinical study of this drug candidate.

Immunological and Respiratory Diseases

The global immunological and respiratory drug market reached US$228.3 billion in 2023, and is expected to further increase at a CAGR of 5.2% from 2023 to US$294.6 billion in 2028. China's immunological and respiratory drug market reached RMB109.0 billion in 2023, and is expected to further increase at a CAGR of 13.4% from 2023 to RMB204.4 billion in 2028.

Innovative drugs with extended half-lives, improved patient accessibility, higher adherence, and optimized safety profile are expected to be future growth drivers in the immunological and respiratory drug market. In line with this trend, we leverage different MOAs to deliver a comprehensive and science-driven solution for immunological and respiratory diseases.

Major Commercialized Products

Vunakizumab (AnDaJing®) (夫那奇珠單抗(安達靜®))

Vunakizumab is a subcutaneous (SC) recombinant anti-IL-17A antibody. In August 2024, vunakizumab was approved by the NMPA for the treatment of adults with moderate-to-severe plaque psoriasis who are candidates for systemic treatment or phototherapy.

Vunakizumab is composed of a 0.8% mouse component, retains 6 CDR regions from the mouse, and has an innovative binding epitope to ensure high affinity for IL-17A. It accurately combines with IL-17A and effectively blocks the IL-17 pathway. At the same time, its lower mouse-derived components reduce potential immunogenicity. This MOA benefits the systemic treatment of autoimmune diseases related to the IL-17 pathway, including psoriasis, ankylosing spondylitis, and psoriatic arthritis. Vunakizumab exhibited high IL-17A affinity and strong inhibition of IL-17A/IL-17R interaction. In addition, the clinical response with vunakizumab was fast onset, with a mean percentage reduction in PASI of >50% by week 2 and 56.6% of subjects reaching PASI 75 response by week 4.

Vunakizumab was the first domestically developed anti-IL-17A antibody approved by the NMPA, according to Frost & Sullivan.

Major Product Candidates

Ivarmacitinib (SHR0302)

Ivarmacitinib is an orally administered, highly selective JAK1 inhibitor, exhibits potency and selectivity for JAK1. Its physicochemical properties allow for both oral and topical administration.

Ivarmacitinib is currently under NDA review in China for the treatment of moderate-to-severe atopic dermatitis, ankylosing spondylitis, moderate-to-severe active rheumatoid arthritis, and alopecia areata. As of the Latest Practicable Date, it was the most clinically-advanced domestically developed JAK1 inhibitor for the treatment of immunological diseases in China, according to Frost & Sullivan.

SHR-1819

SHR-1819 is a novel anti-IL-4Rα antibody. Interleukin (IL)-4 and IL-13 are critical pathogenic factors for type 2 inflammation-related allergic diseases. They share the mutual receptor subunit IL-4Rα. SHR-1819 was found to show high binding affinity to IL-4Rα. This mechanism significantly blocks certain signaling pathways that induce allergic responses, which indicates a promising treatment option for a wide array of autoimmune diseases caused by type 2 inflammation, such as atopic dermatitis, prurigo nodularis, and chronic spontaneous urticaria.

As of the Latest Practicable Date, SHR-1819 was undergoing a Phase III clinical study for the treatment of moderate-to-severe atopic dermatitis, and a Phase II/III clinical study for the treatment of prurigo nodularis.

In addition, we obtained the IND approval from the NMPA for conducting a Phase Ib/II clinical study to evaluate the efficacy and safety of SHR-1819 in adolescents (aged between 6 to 17) with atopic dermatitis in November 2024, as well as the IND approval from the NMPA for a Phase II clinical study to evaluate the efficacy and safety of SHR-1819 in chronic spontaneous urticaria in December 2024.

SHR-1905

SHR-1905 is a long-acting anti-TSLP antibody with best-in-class potential. SHR-1905 targets thymic stromal lymphopoietin, or TSLP, which is a driver of chronic immunological or inflammatory diseases, including severe asthma, chronic rhinosinusitis and chronic obstructive pulmonary disease.

Compared to other anti-TSLP antibodies, SHR-1905 has better potency and prolonged half-life, which allows longer dosage interval and better patient compliance. Through a YTE mutation of Fc segment, SHR-1905 exhibits enhanced affinity to FcRn, leading to a prolonged serum half-life, significantly longer than that of tezepelumab. As of the Latest Practicable Date, SHR-1905 was undergoing a Phase II clinical study for treatment of severe uncontrolled asthma, a Phase II clinical study for treatment of chronic rhinosinusitis with nasal polyps (CRSwNP).

SHR-1703

SHR-1703 is a novel, long-acting anti-IL-5 antibody. SHR-1703 binds to IL-5 and inhibits its binding to IL-5R on the surface of eosinophils. This mechanism inhibits the IL-5/IL-5R signaling pathway and the proliferation and activation of eosinophils to reduce eosinophil-mediated inflammation and damage. The YTE mutation of Fc segment enhances the affinity of SHR-1703 to FcRn, leading to a prolonged half-life of 72-100 days in humans, supporting every 6-month dosing in asthma. SHR-1703 aims to provide new treatment options for patients with chronic diseases such as asthma and EGPA that have T-helper type 2 (Th2) inflammation as the main mechanism.

As of the Latest Practicable Date, we were conducting a Phase III clinical study to confirm the efficacy and safety of SHR-1703 in patients with asthma. In addition, as of the Latest Practicable Date, we were conducting a Phase II/III study for the treatment of EGPA.

HRS-5965

HRS-5965 is an oral, novel, highly selective, small molecule inhibitor of complement Factor B, a key component of the alternative pathway. Complement-mediated intravascular hemolysis is a characteristic of paroxysmal nocturnal hemoglobinuria (PNH). HRS-5965 inhibits the alternative pathway and therefore controls both intravascular and extravascular hemolysis. As of the Latest Practicable Date, we were conducting Phase III clinical studies to confirm the efficacy and safety of HRS-5965 used in patients with PNH.

HRS-5965 controls glomerular inflammation by alleviating complement activation in IgA nephropathy (IgAN). As of the Latest Practicable Date, we were also conducting a Phase II clinical study to evaluate the efficacy of HRS-5965 in reducing proteinuria and delaying the progression of renal dysfunction.

Anti-IFNAR1/TACI Fusion Protein

We are developing an anti-IFNAR1 (interferon α and β receptor subunit 1) / TACI (TNF receptor superfamily member 13B) fusion protein with first-in-class potential. It exerts anti-inflammatory and immunosuppressive biological effects by targeting abnormally activated immune cells, with the potential to reduce autoantibody levels and improve disease activity in patients with autoimmune disorders, offering a new treatment option for these patients. As of the Latest Practicable Date, we were conducting a Phase I clinical study of this drug candidate for the treatment of systemic lupus erythematosus.

Anti-IL-23p19/IL-36R Bispecific Antibody

We are developing a novel, long-acting, anti-IL-23p19/IL-36R bispecific antibody, with first-in-class potential. It exhibited high IL-23 and IL-36R affinity and prolonged half-life, making it the first long-acting anti-IL-23p19/IL-36R bispecific antibody globally, according to Frost & Sullivan. It had entered the Phase I clinical study in moderate-to-severe plaque psoriasis in China as of the Latest Practicable Date.

Anti-IL-4Rα Antibody Glucocorticoid Conjugate

We are developing an antibody targeting IL-4Rα conjugated glucocorticoid, with first-in-class potential. It is administered through inhalation. It is expected to exert a localized, highly efficient anti-inflammatory effect by blocking key inflammatory pathways in asthma, with the potential to provide an effective and safe treatment option for patients with asthma and other chronic airway diseases. As of the Latest Practicable Date, it was undergoing Phase I clinical studies.

Neuroscience

The neuroscience pharmaceutical market broadly covers neurology, analgesia (or pain management), and anesthesia. Alzheimer's Disease and Parkinson's Disease are two major neurodegenerative disorders worldwide. According to Frost & Sullivan, there were estimated to be 58.3 million people affected by dementia worldwide in 2023, with Alzheimer's Disease contributing to 60-70% of dementia cases. In the same year, there were estimated to be 9.4 million people affected by Parkinson's Disease globally. According to the same source, in 2023, China had 14.0 million people affected by Alzheimer's Disease and approximately 43.4 million people at the MCI stage, compared with 3.2 million people affected by Parkinson's Disease. There are significant unmet medical needs for disease-modifying therapies which target clearly-defined pathogenic mechanisms and have the potential to delay the disease progression. Furthermore, stroke is a leading cause of death and disability globally. We have been developing various therapies with differentiated MOAs to improve the treatment paradigm of stroke.

Pain management is another critical issue both in China and globally. Chronic pain affects over 20% of the general population. Insufficient symptom control, poor tolerance of medications, and opioid overuse are still challenges in clinical practice, especially in the treatment of chronic pain. In addition, anesthesia and related fields such as perioperative management and critical care also show significant growth potential.

Commercialized Product

Tegileridine (AiSuTe®) (泰吉利定(艾蘇特®))

Tegileridine is a novel small molecule μ-opioid receptors (MOR) agonist. In January 2024, tegileridine was approved by the NMPA for the treatment of post-operative analgesia after abdominal surgeries.

Tegileridine selectively activates the G-protein-coupled pathway, while only weakly activating the β-arrestin-2 pathway. This mechanism provides analgesic efficacy and mitigates adverse events, such as respiratory depression and gastrointestinal dysfunction.

We conducted a randomized, double-blind, placebo- and active-controlled Phase III clinical study to confirm the analgesic efficacy of tegileridine compared with placebo and morphine in patients with acute postoperative pain following abdominal surgeries. Results of the clinical study showed that the time weighted sum of pain intensity differences (SPID) over 24 hours for tegileridine (0.75 mg and 1.0 mg) were superior compared with the placebo, and SPID over 24 hours for tegileridine (1.0 mg) was comparable to morphine, which indicated tegileridine's improved efficacy for pain relief.

Tegileridine was the first domestically developed innovative MOR agonist approved by the NMPA for the treatment of postsurgical pain, according to Frost & Sullivan. In December 2023, tegileridine's NDA application for the treatment of moderate-to-severe pain after orthopedic surgeries was accepted by the NMPA.

Butorphanol (NuoYang®) (布托啡諾(諾揚®))

Butorphanol tartrate injection is primarily indicated for the treatment of various types of cancer-related pain and postoperative pain. It is a mixed opioid receptor agonist and antagonist that provides effective visceral analgesia and alleviates respiratory depression. It also effectively reduces the incidence and severity of propofol injection pain. As of the Latest Practicable Date, our butorphanol tartrate injection was the first-to-market generic version of this pharmaceutical product in China, according to Frost & Sullivan.

Major Product Candidates

SHR-1707

SHR-1707 is a novel anti-Aβ IgG1 antibody that binds to Aβ fibrils and monomers to block the formation of Aβ plaques or to promote the microglial phagocytosis of Aβ.

In a Phase Ib clinical study, SHR-1707 demonstrated significant brain amyloid load reduction in mild Alzheimer's Disease subjects. In preclinical studies, a higher affinity to beta-amyloid fibrils was demonstrated, which may predict a stronger effect of amyloid clearance than the products currently in use. In behavior tests of the animal model for Alzheimer's Disease, improvement of cognitive functions was also observed.

As of the Latest Practicable Date, we were conducting a Phase II clinical study of SHR-1707 for the treatment of Alzheimer's Disease.

HRG2010

HRG2010 is a novel extended-release fixed-dose combination composed of carbidopa and levodopa. HRG2010 has been developed for a better control of motor fluctuations in Parkinson's Disease patients with long-term use of levodopa.

As of the Latest Practicable Date, we were conducting a Phase III clinical study of HRG2010 for the treatment of Parkinson's Disease.

Na_V1.8 Inhibitor

We are developing a highly selective inhibitor of voltage-gated sodium ion channel subunit 1.8 (Na_V1.8), presenting significant potential for non-opioid pain management.

Gaines and losses of function mutations in selective sodium channel subtypes, Na_V1.7 and Na_V1.8, are associated with human pain syndromes. The Na_V1.8 channel is a genetically validated target for pain, and it is mostly expressed in the peripheral nervous system. Compared with the current standard of care, our Na_V1.8 inhibitor is expected to have a better safety profile and tolerability. There were no Na_V1.8 inhibitors approved in the world for acute pain or chronic pain as of the Latest Practicable Date, according to Frost & Sullivan.

We have received the IND approval from the NMPA to initiate a clinical study for this drug candidate in the treatment of acute pain. As of the Latest Practicable Date, our Na_V1.8 inhibitor was undergoing Phase I clinical development.

Others

In addition to the drugs and drug candidates described above, we have developed other pharmaceutical products including contrast agents and anti-infectives.

Ioversol (碘佛醇)

Ioversol is our contrast agent product, and it is used primarily in various vascular radiographic imaging examinations. Contrast agents are injected or taken into human tissues or organs to enhance the effect of image observation. They are essential diagnostic and

differential diagnostic drugs for medical imaging disciplines. Ioversol injection is a novel, non-ionic, low-osmolar, water-soluble contrast agent for vascular use. Ioversol injection does not have any significant impact on blood coagulation, unlike ionic contrast agents.

As of the Latest Practicable Date, our ioversol injection was the first-to-market generic version of this pharmaceutical product in China, according to Frost & Sullivan.

SHR7280

SHR7280 is our proprietary non-peptide, oral, small molecule gonadotropin-releasing hormone (GnRH) receptor antagonist, with first-in-class potential. Upon oral administration, SHR7280 competes with GnRH for receptor-binding. By blocking the binding of endogenous GnRH to its receptor, SHR7280 inhibits the synthesis and release of gonadotropins and reduces testosterone and estradiol levels.

In recent years, non-peptide oral GnRH antagonists have been developed as a promising treatment strategy for patients with sex hormone-dependent diseases, such as endometriosis, uterine fibroid, polycystic ovary syndrome, and precocious puberty, and are applied in the field of assisted reproduction. For example, elagolix, an oral GnRH antagonist, has been approved by the U.S. FDA to treat moderate-to-severe pain associated with endometriosis. However, in several countries and regions, including China, elagolix has not been approved for use in women with sex hormone-related diseases. SHR7280 is a novel treatment with the potential to fill in the gap.

As of the Latest Practicable Date, we were conducting a randomized, double-blinded, parallel group, placebo-controlled, multicenter Phase II/III clinical study for SHR7280 to evaluate its efficacy and safety in subjects with menorrhagia with uterine fibroids.

HRS-5635

HRS-5635 is an N-acetyl-galactosamine (GalNAc)-conjugated, double-stranded RNA interference (RNAi) agent. The GalNAc moiety enables targeted delivery of HRS-5635 into the liver via uptake by asialoglycoprotein receptors (ASGPR) expressed on the hepatocyte surface, and specifically targets the HBV genome X-region through RNA interference (RNAi) pathway to inhibit the expression of HBV-related proteins, like HBsAg.

HRS-5635 is administered as a long-acting, subcutaneous injection for the treatment of chronic hepatitis B (CHB), aiming at high functional cure rates of CHB patient. In the pre-clinical studies, HRS-5635 showed excellent antiviral activity against all HBV genotypes, and exert efficient and durable antiviral effect.

The first-in-human (proof-of-concept) study of HRS-5635 showed a favorable safety profile as well as marked and durable reductions in HBsAg. As of the Latest Practicable Date, we were conducting a Phase II study to evaluate the efficacy and safety of HRS-5635 for the treatment of CHB.

COLLABORATION AND LICENSING ARRANGEMENTS

We are committed to maximizing the commercial value of our high-quality innovative drugs through out-licensing arrangements and expanding our product matrix through in-licensing and co-development collaborations. These initiatives have helped to expand our global footprint to unlock and maximize the potential of our product matrix and technology platforms.

Major Out-Licensing Arrangements

Collaboration and License Agreement with IDEAYA Biosciences

In December 2024, we entered into a collaboration and license agreement with IDEAYA Biosciences, a precision medicine oncology company headquartered in the United States. Pursuant to this agreement, we out-licensed to IDEAYA Biosciences the exclusive rights to develop, manufacture, and commercialize SHR-4849 worldwide (excluding the Greater China region). Under this agreement, IDEAYA Biosciences agreed to provide us with an upfront payment of US$75 million. We are also entitled to receive development and approval milestone payments of up to US$200 million. In addition, IDEAYA Biosciences agreed to provide us with sales milestone payments of up to US$770 million and single- to double-digit sales royalties, based on future actual annual net sales of SHR-4849 worldwide (excluding the Greater China region).

Collaboration and License Agreement with Kailera Therapeutics

In May 2024, we entered into a collaboration and license agreement with Kailera Therapeutics, under which we out-licensed to Kailera Therapeutics the exclusive rights to develop and commercialize three of our proprietary GLP-1 drug candidates—HRS-7535, HRS9531, and HRS-4729—worldwide (excluding the Greater China region).

Kailera Therapeutics agreed to provide us with an upfront payment of US$100 million, a near-term technology transfer milestone payment of US$10 million and 19.9% of its equity interest. We are also entitled to receive potential clinical development and regulatory related milestone payments of up to US$200 million, sales milestone payments of up to US$5.725 billion, and sales royalties ranging from low single digit to low double digits. The total deal value for this transaction is approximately US$6 billion.

Strategic Collaboration and License Agreement with a Fully Owned Subsidiary of Merck KGaA, Darmstadt, Germany

In October 2023, we entered into a strategic collaboration and license agreement with Merck Healthcare KGaA, a fully owned subsidiary of Merck KGaA, Darmstadt, Germany, or MRKDG, a multinational chemical, pharmaceutical, and life sciences corporation. Pursuant to the agreement, we (i) out-licensed to this fully owned subsidiary of MRKDG the exclusive rights to develop, manufacture, and commercialize HRS-1167 worldwide (outside of mainland China), (ii) granted this fully owned subsidiary of MRKDG an exclusive option to develop, manufacture, and commercialize SHR-A1904 worldwide (outside of mainland China), and (iii) granted this fully owned subsidiary of MRKDG an option to co-promote HRS-1167 and SHR-A1904 with us within mainland China.

Under this agreement, the fully owned subsidiary of MRKDG agreed to provide us with an upfront payment of €160 million and we are entitled to receive additional payments upon the achievement of certain development, regulatory and commercial milestones, as well as tiered royalties on net sales by this fully owned subsidiary of MRKDG. Potential payments may total up to €1.4 billion.

In-Licensing and Co-Development Arrangements

Collaboration Agreements with CStone

In November 2021, we and CStone, an innovation-driven biopharmaceutical company focused on the R&D of anti-cancer therapies, entered into a strategic partnership and exclusive licensing agreement on CS1002/SHR-8068 (an anti-CTLA-4 antibody). According to this agreement, we obtained the exclusive rights for the research, development, registration, manufacturing, and commercialization of this anti-CLTA-4 antibody in the Greater China region, while CStone retained the rights to develop and commercialize CS1002 outside of the Greater China region. Under this agreement, we agreed to provide CStone with an upfront payment and potential milestone payments up to approximately US$200 million in addition to double-digit percentage sales royalties.

In addition, in July 2024, we entered into an agreement with CStone to obtain the exclusive commercial promotion rights of CStone's precision therapy drug Ayvakit (avapritinib) in mainland China. Under this agreement, we agreed to provide CStone with an upfront payment of RMB35 million, and we may charge CStone service fees for promoting Ayvakit in mainland China.

Strategic Cooperation Agreement with Yingli Pharma

In February 2021, we entered into a strategic cooperation agreement with Yingli Pharma, a pharmaceutical company focused on hematologic tumors, solid tumors, and kidney-related metabolic diseases. Under this agreement, we agreed to invest US$20 million in an equity stake in Yingli Pharma, and received co-development and exclusive commercialization rights for linperlisib, a PI3Kδ inhibitor, in the Greater China region. In addition, we agreed to provide Yingli Pharma with milestone payments totaling up to RMB30 million, and Yingli Pharma agreed to pay us commercialization fees based on sales performance of linperlisib.

Collaboration and License Agreement with Novaliq

In November 2019, we entered into an exclusive agreement with Novaliq, a Germany-based biopharmaceutical company focused on ocular therapeutics, to obtain the exclusive rights to develop, manufacture, and commercialize Novaliq's drugs for the treatment of dry eye diseases, CyclASol (a 0.1% cyclosporine A formulation) and NOV03 (perfluorohexyloctane), in the Greater China region.

Under this agreement, we agreed to provide Novaliq with an upfront payment of US$6 million, in addition to a payment of US$3 million upon the granting of the first core patent for NOV03 in China. We also agreed to make development milestone payments of up to US$12 million to Novaliq with respect to the development and regulatory objectives of the two products. In addition, we agreed to make sales milestone payments of up to US$144 million to Novaliq based on the sales performance of the products and tiered percentage royalties on annual net sales of the products in the Greater China region.

Collaboration and License Agreement with Mycovia Pharmaceuticals

In June 2019, we entered into an exclusive agreement with Mycovia Pharmaceuticals, a U.S.-based pharmaceutical company focused on innovative antifungal therapies, to develop, register, manufacture, and commercialize Mycovia Pharmaceuticals' investigational drug, oteseconazole (also known as VT-1161), in the Greater China region for the treatment or prevention of a range of fungal conditions, including recurrent vulvovaginal candidiasis, onychomycosis, and invasive fungal infections.

Under this agreement, we agreed to provide Mycovia Pharmaceuticals with (i) a R&D payment of US$7.5 million in eight installments within two years, (ii) development milestone payments of up to US$9 million, (iii) sales milestone payments of up to US$92 million based on the sales performance, and (iv) tiered percentage royalties on annual net sales of the product in Greater China region.

RESEARCH AND DEVELOPMENT

Our robust in-house R&D capabilities are the cornerstone of our competitive advantages and an important driver of our growth. We are committed to improving our innovation capabilities and making paradigm-shifting breakthroughs.

Intellectual diversity and depth of talent are at the core of our R&D success. With decades of pharmaceutical R&D experience, we have gathered a professional team of scientists, engineers, and technicians that enable us to continuously develop first-in-class and best-in-class innovative drugs. Our all-round R&D team comprises experts with extensive experience throughout the entire R&D cycle of innovative drugs, spanning drug discovery, preclinical development, CMC, clinical development, and regulatory affairs. As of September 30, 2024, our highly experienced R&D team consisted of over 5,500 employees. Nearly 60% of them hold a master's or higher degree, and more than 12% hold a Ph.D. or M.D. Many of them have years of industry experience at leading multinational corporations, such as Pfizer, Novartis, Merck, and Eli Lilly and Company, as well as renowned research institutes, such as Yale School of Medicine, Heidelberg University, and the University of Texas Southwestern Medical Center. Currently, we have 14 R&D centers, with complementary functions, in China, Japan, the U.S., Australia and Switzerland. Our R&D capabilities are demonstrated by a strong portfolio of issued patents and patent applications in China and around the globe. For more details, see "—Intellectual Property Rights" and Appendix IV to this document.

In line with our commitment to innovation and technology breakthroughs, we invested heavily in R&D activities. In 2022, 2023 and the nine months ended September 30, 2024, our R&D expenses were RMB4,886.6 million, RMB4,953.9 million, and RMB4,548.9 million, respectively, representing 23.0%, 21.7%, and 22.5% of our total revenue for these same respective periods.

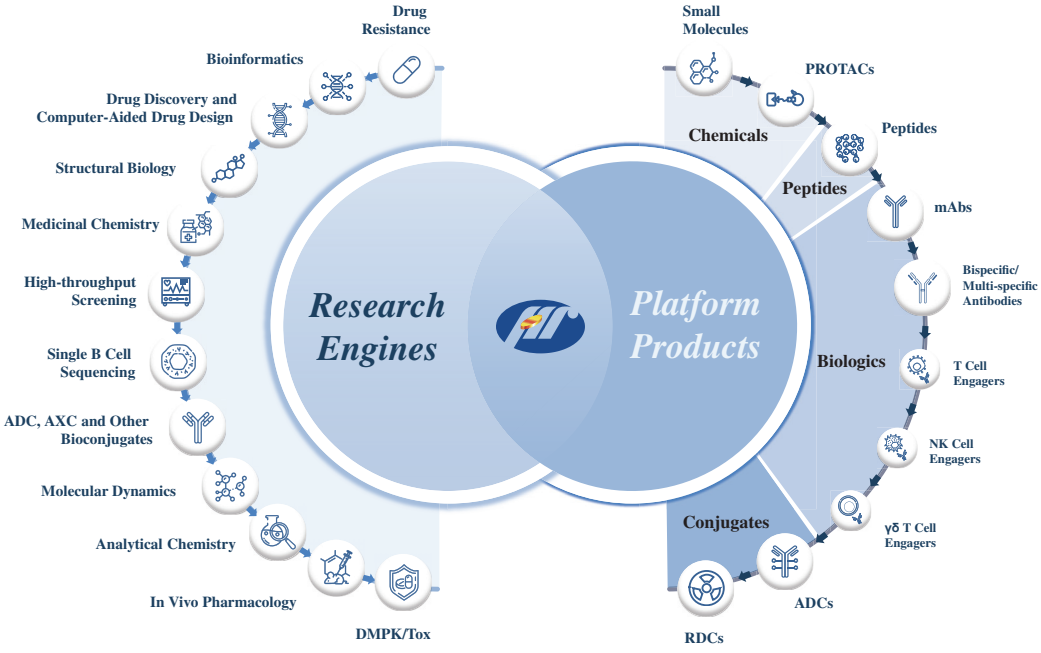
Technology Platforms

We have developed comprehensive technology platforms that drive our continuous innovation. They encompass the stages of drug discovery and drug evaluation, and, either individually or collectively, empower and sustain the roll-out of our novel and differentiated drugs.

Small molecules have been our initial research focus, and remain to be our strength. Leveraging our platform, as of the Latest Practicable Date we had developed a portfolio of over ten approved innovative small molecule drugs, and they had all been included in the NRDL. Building on our experience in the discovery and development of small molecules, we are expanding our technology platforms to encompass a broader range of modalities.

Over the decades, we have extended our research beyond small molecules to encompass a wide range of additional modalities, including PROTACs, peptides, mAbs, BsAbs, multi-specific antibodies, ADCs, and RLTs.

The matrix below is illustrative of our technology platforms.



Following below is a description of our selective technology platforms.

Bioinformatics

At the core of our bioinformatics platform is our omics database, which integrates genomics, transcriptomics, proteomics, single-cell transcriptomics, and spatial transcriptomics. Our bioinformatic platform can streamline and optimize various aspects of our R&D:

- *Therapeutic target identification*. By deploying graph neural networks (GNN) and other algorithms, we have substantially reduced the time required to identify potential targets. The platform enables us to complete a comprehensive analysis of the knowledge graph for a specific disease in weeks instead of months, while enhancing the precision of target identification.

- *Literature analysis*. We use advanced tools available on our bioinformatics platform to perform processing and extracting tasks during the process of literature review and analysis, thereby enhancing efficiency and minimizing human error. This rapid assimilation of research allows us to stay abreast of the latest developments. The user-friendly interface also enables our biologists to evaluate targets and develop drugs more efficiently, shortening their time spent on data retrieval and initial assessment.

- *Clinical datasets analysis*. Our bioinformatics platform significantly expedites our analysis of complex clinical trial datasets, leading to faster discovery of key predictive biomarkers, from data collection to obtaining actionable insights. The accuracy of these identifications aids in better patient stratification and a deeper understanding of therapeutic mechanisms. This leads to a substantial reduction in the attrition rate of clinical trials, saving costs associated with our drug development.

Drug Discovery and Computer-Aided Drug Design

By combining cutting-edge computational methods and tools, we have built the "Hengrui-LingShu" drug discovery and computer-aided drug design platform to empower our discovery of small molecule drugs and biologics.

With an accurate prediction of the target-molecule binding mode, "Hengrui-LingShu" platform facilitates a rational drug design. By combining computational simulations with structure-based and *de novo* design, it further contributes to the generation of innovative molecules with superior activity and properties.

In addition, the platform offers molecular modeling and advanced computational methods. These enable us to design antigens for screening antibodies with desired functions. The platform also integrates antibody-antigen complex structure predication with protein design and experimental validation, which allows us to efficiently optimize our antibody drugs. Furthermore, we can leverage this platform to perform *in silico* assessment of the antibody developability. This allows us to identify molecules with optimal physicochemical properties in an early stage, while improving the success rate of our drug development.

Structural Biology

We have developed an integrated platform for protein production, structural biology and biophysical analysis, which supports the development of both small molecule drugs and biologics. With a cutting-edge, high-throughput protein crystallography pipeline, this platform enables us to generate high-resolution protein-ligand and antigen-antibody complex structures routinely from amenable samples. In particular, for large molecule discovery, we routinely perform hydrogen/deuterium exchange mass spectrometry (HDX-MS) for epitope and paratope

mapping. Utilizing our deep learning-assisted prediction framework, we achieve accurate and rapid prediction of antigen-antibody interactions. This enables us to elucidate the molecular mechanism of antibody drugs and facilitate antibody engineering and optimization.

We capitalize on our structural biology platform to develop an in-depth understanding of molecular interactions, facilitating the molecule design and optimization. We also utilize the cryogenic electron microscopy (cryo-EM) approach to elucidating the structure of a wide range of macromolecules including membrane proteins and large multiple subunit proteins which are challenging to crystallize.

Single B Cell Sequencing

Our single B cell sequencing platform is primarily focused on high-throughput single B cell sequencing and automated antibody production. This platform provides efficient bioinformatics sequence analysis tools, and enables high-throughput expression and purification. It has demonstrated significant advantages over conventional approaches in terms of speed, diversity, and developability. We usually obtain hundreds of unique antigen-binding clones within a one-month timeframe for downstream validation.

Antigen-specific B-cells are experimentally enriched and sequenced through next-generation sequencing (NGS). Advanced algorithms are developed to streamline the process of prioritizing the hundreds-to-thousands of hits generated from antibody discovery campaigns for small-scale production and functional assays. We further implement a high-throughput automated protein production system following NGS. With the advancement of precise protein structure prediction methods and the potential for extensive exploration of the immune repertoire, this platform holds great promise for enhancing high-throughput therapeutic antibody discovery and optimization in real-world scenarios.

ADC, AXC and Other Bioconjugates

We pioneer the development of ADCs in China. Building on over a decade of experience, we have built a proprietary Hengrui Rapid Modular ADC Platform, or HRMAP, in researching ADCs and other bioconjugate drugs.

Our HRMAP platform encompasses payloads with different MOAs, optimal conjugation linkers/methods, and well-established antibody discovery and engineering ability that empower our capability to create an ADC with desired *in vitro* and *in vivo* properties within a short period of time.

DXh, a topoisomerase I inhibitor (TOP1i), is a differentiated payload that exemplifies the strength of our ADC platform. DXh is a delicately selected exatecan derivative. It is purposely designed to increase the steric hindrance between the free toxin and the linker. This leads to enhanced chemical stability and avoids uncontrolled release of the toxin in plasma, thus avoiding the toxic side effects associated with premature toxin release. In addition, it improves the permeability of the toxin, leading to an enhanced bystander killing effect of the ADC. Its

good solubility also allows for improved flexibility in the drug-to-antibody ratio. DXh is designed to allow for a rapid removal from circulation, which helps minimize adverse reactions caused by free toxins. Compared to peers, ADC molecules developed on our platform exhibits strong tumor-suppressing effects while demonstrating better plasma stability and lower free toxin exposure in the body. This is directly correlated with the lower incidence of interstitial lung disease (ILD) observed in clinical studies, as well as lower incidence of hematological toxicity and gastrointestinal toxicity. As of the Latest Practicable Date, we had advanced over ten differentiated ADC drug candidates with our purposely designed DXh payload to the clinical stage, including trastuzumab rezetecan (or SHR-A1811, a HER2 ADC), SHR-A1904 (a CLDN18.2 ADC), and SHR-4849 (a DLL3 ADC). In particular, as of the same date, trastuzumab rezetecan (SHR-A1811) had received breakthrough therapy designations from the NMPA for seven indications, which were the most among all clinical-stage drug candidates in China, according to Frost & Sullivan.

We constantly advance our conjugation technologies to expand our bioconjugate component library and research on "AXC" drugs. We take a modular approach to efficiently extending our research of bioconjugates beyond ADCs by conjugating various payloads in addition to chemical drugs with antibodies, or creating AXCs:

- *Antibodies*. We utilize our translational medicine expertise to identify novel TAAs. Our antibody engineering capability allows us to develop not only monoclonal antibodies, but also bispecific and multi-specific antibodies, aiming for the synergies of different tumor (or target)-associated-antigens.

- *Conjugation methods*. Besides the conventional cysteine conjugation method, we are developing various site-specific conjugation methods, including glycosite-specific conjugation and engineered cysteine site-specific conjugation.

- *Payloads*. We are actively exploring cytotoxic payloads with new MOAs to overcome the resistance of commonly used cytotoxic payloads. We are also expanding our payload library to cover various modalities, such as degraders (molecular glues and PROTACs) for oncology. By conjugating peptides and oligonucleotides onto antibodies of interest, we further explore new molecular entities in therapeutic areas beyond oncology.

Additionally, our research in the field of new bioconjugates spans DACs, antibody-peptide conjugates, AOCs, and radionuclide drug conjugates (RDCs). We pioneered the development of DACs and AOCs. DACs and AOCs are novel targeted therapies with differentiated MOAs compared to ADCs. In contrast to molecular glue degraders, DACs, with protein degraders as payloads carried by antibodies, have demonstrated favorable efficacy and safety profiles and the potential to overcome drug resistance in preclinical settings. AOCs, by combining the targeting capabilities of antibodies with the gene regulatory potential of oligonucleotides, precisely modulate disease-causing proteins.

PROTACs

We deploy our innovative PROTAC platform to detect PROTAC ternary complexes and research into the mechanisms and kinetics of target protein degradation.

PROTAC is a bifunctional molecule that combines an active site selective for binding to the target of interest and a ligand of E3 ubiquitin ligase to drive selective proteasome mediated degradation. Popular PROTAC targets in cancer are well characterized by soluble proteins such as CDK2, BTK, and ER.

As of the Latest Practicable Date, we had two PROTAC programs, namely the ER PROTAC coded as HRS-1358 and the AR PROTAC coded as HRS-5041, in the clinical stage. Both HRS-1358 and HRS-5041 have potent *in vitro*/*vivo* activity and favorable pharmacokinetic profiles in preclinical studies. Additionally, we have numerous ongoing PROTAC programs covering both oncology and non-oncology indications. We endeavor to leverage our PROTAC platform to address historically undruggable targets.

Bispecific Antibody Construction

Bispecific antibodies, or BsAbs, are artificial proteins that simultaneously bind to two different types of antigen or two different epitopes on the same antigen. Our bispecific antibody platforms—Hengrui Obscurin Titin-Ig (HOT-Ig) and Half Antibody Recombination Technology-IgG (HART-IgG)—are our proprietary platforms incorporating cutting-edge technologies that have demonstrated the ability to generate differentiated new molecules:

- HOT-Ig utilizes the Ig-like domain pair from human obscurin and titin to replace the CH1/CL domains, avoiding heavy and light chain mispairing. By leveraging this platform, we create a variety of bispecific antibodies with multiple formats, great stability, and high compatibility for diverse sequences. As of the Latest Practicable Date, we had two BsAb drug candidates under clinical development.

- HART-IgG is our newly-developed versatile platform to efficiently prepare bispecific antibodies. Bispecific antibodies developed via our HART-IgG platform show robust physicochemical properties and good druggability comparable with those of canonical mAbs. Furthermore, our HART-IgG technology is compatible with other engineering/conjugation technologies, and as a result, facilitates the development of bispecific antibody conjugates.

T-cell Activation

We have a bispecific and multi-specific T cell engager (TCE) platform for hematological malignancies and autoimmune diseases, and have established a cutting-edge TCE prodrug platform for solid tumors aiming at enhancing the safety profile of TCE.

CD3, or cluster of differentiation 3, is a component of the TCR/CD3 complex that plays an essential role in T-cell activation. With the approvals of several CD3 bispecific antibodies, TCEs for hematological malignancies have proved impressive efficacies. However, TCEs for solid tumors are facing significant hurdles due to on-target off-tumor toxicity in healthy tissues. To overcome the narrow therapeutic window induced by healthy tissue damages, a proprietary TCE prodrug platform has been established recently. Our novel proprietary TCE format features a small molecule weight, which has the potential to enable better tumor penetration. Moreover, its conditional activation in the tumor microenvironment avoids on-target off-tumor toxicity. In terms of pharmacokinetics, our TCE prodrug is an inactive compound that becomes active only after conditional activation in tumor microenvironment, thereby improving the safety profile. After turning into an active molecule, it can be rapidly cleared in circulation due to a short half-life conversion. Our TCE prodrug platform successfully balances the functionality, manufacturability, and multifunctional expandability. We believe that breakthroughs in this area may compensate for the limitations of ADCs in target antigen of low-expressing tumor cells.

We are also actively exploring to add co-stimulating signaling to traditional TCE in multi-specific modalities. We aim to achieve enhanced efficacy through the second signal activation, while effectively controlling the side effects. As of the Latest Practicable Date, we had several bispecific and multi-specific TCE drug candidates developed from our in-house TCE platform at various stages of development.

NK Cell Engagers

Natural killer (NK) cells are innate lymphocytes that kill a wide range of cells in distress, particularly tumor cells and cells infected with viruses. Among immune cell candidates, NK cells have drawn significant attention in the medical community. Unlike T cells, they possess a unique ability to recognize and eliminate target cells without antigen-specific activation. Preclinical and clinical studies have demonstrated safety and efficacy of allogeneic NK cells against both hematological and solid tumors. We have built our proprietary NK cell engager platform to engineer the receptor-binding fragment crystallizable (Fc) region of antibodies, screen NK cell agonists, and construct NK cell engagers.

γδ T Cell Engagers

In recent years, researchers are developing new therapeutic strategies for targeting specific T cell subsets, such as unconventional gamma delta (γδ) T cells. γδ T cells directly recognize and kill transformed cells independently of human leukocyte-antigen presentation, which makes them a highly promising effector-cell compartment for cancer immunotherapy. We have built our proprietary γδ T cell engager platform to delve into biological mechanisms of γδ T cells, screen novel agonists, and construct γδ T cell engagers.

Based on insights accumulated over decades, we have also established a few other platforms that facilitate our drug discovery and development, such as our drug resistance platform that encompasses a comprehensive summary of drug-resistant cell lines, preclinical drug resistance models and the collection of real-world clinically resistant samples; our *in vivo* pharmacology platform characterized by a rich portfolio of disease-centric models that facilitate our pharmacological evaluation during the drug discovery; our drug metabolism, pharmacokinetics and toxicology (DMPK/Tox) platform that expedites the discovery, optimization, and nomination of preclinical candidates through robust *in vitro* absorption, distribution, metabolism, and excretion (ADME) assessments, *in vivo* DMPK studies, and dose range-finding testing; and our high-throughput screening platform that capitalizes on high-throughput display technology to perform antibody screening, while optimizing the affinity and druggability properties of molecules.

R&D Process

Each R&D project begins with a thorough market analysis. We apply a market-oriented approach to identifying differentiated innovative targets with significant clinical value to treat diseases with significant unmet medical needs and market potential.

We carefully review each R&D proposal and submit it for approval by our innovative drugs R&D management committee led by Mr. Sun Piaoyang, our Chairman and Executive Director; Mr. Zhang Lianshan, our Executive Director and Executive Vice President; and Mr. Jiang Frank Ningjun, our Executive Director, Executive Vice President, and Chief Strategy Officer. Our R&D management committee includes representatives from various functional departments across early research, preclinical development, CMC, clinical development, and marketing and sales. For approved projects, we also conduct periodic reviews and discontinue projects that fail to make satisfactory progress.

Below is a summary of the key steps of an R&D project:

- *Target identification and validation*. In the earliest stage, we explore targets that we believe may offer first-in-class or best-in-class potential through in-depth research on the pathogenesis of diseases and the MOA of targets and by monitoring the latest research published in international conferences. We may also apply advanced technology to streamline our drug discovery, molecular design, drug property prediction and optimization.

- *Molecule discovery and modification*. After we select a target, we test and screen the compounds on our technology platforms to select (i) the hit compound—a compound that displays the desired biological activity towards a drug target and reproduces this activity when retested, (ii) the lead compound—a compound within a defined chemical series having demonstrated a robust pharmacological and biological activity on a specific therapeutic target, and, eventually, (iii) the preclinical candidate compound.

- *Preclinical studies*. Following the identification of a clinical candidate compound, we conduct preclinical studies on it. These include pharmacodynamic studies, pharmacokinetic studies, pharmacology and toxicology studies, and CMC studies.

- *IND application.* After a preclinical candidate compound has undergone sufficient and comprehensive preclinical validation and achieved the predefined efficacy and safety profile, we will submit an IND application to the applicable regulatory authority, such as the NMPA.

- *Clinical trials*. Once we have obtained the IND approval, we proceed to conduct clinical trials through qualified medical institutions. Our responsibilities include designing the clinical protocols, securing funding for the clinical trials, and supervising and managing the trials to ensure data quality, procedural compliance, and adherence to GCP standards. We also monitor the safety and efficacy of the investigational product throughout the trial process and ensure that all regulatory requirements are met.

- *NDA/BLA submission.* Upon successful completion of the clinical trials and the collection of sufficient data to demonstrate the drug's safety and efficacy, we submit an NDA or a BLA to the applicable regulatory authority, such as the NMPA. This submission includes comprehensive data packages from preclinical studies, clinical trials, and CMC. The regulatory authority then typically conducts a thorough review of the application materials, which may include onsite inspections of clinical trial sites and manufacturing facilities to verify the data integrity and compliance with applicable GMP requirements.

- *Commercial launch.* Following the regulator's approval of the NDA or BLA and issuance of the new drug certificate and drug approval number, we initiate the commercial launch of the drug. This involves activities such as manufacturing scale-up, distribution, marketing, and making the drug available to the public.

- *Post-marketing surveillance studies*. After the drug is launched, ongoing monitoring of its efficacy and adverse reactions is crucial to determine the clinical benefits and safety in the broader patient population. This includes conducting post-marketing surveillance studies to collect data on the drug's performance in real-world settings, which leads to further understanding of its risks and benefits.

For further details about the laws and regulations related to the registration of pharmaceutical products in China, see "Regulatory Overview—Overview of Laws and Regulations in the PRC—Laws and Regulations in Relation to New Drugs."

Moreover, we have developed a digital project management platform that covers the entire R&D cycle described above. We leverage this unified platform to integrate, store, and share all necessary information throughout our R&D projects. Our use of this platform ensures the smooth execution of each project in a timely and cost-efficient manner.

Clinical Development

We have built strong end-to-end clinical development capabilities to ensure the efficiency and quality of our drug development process. As of December 31, 2024, our in-house clinical development team covered approximately 5,000 clinical investigators, and we were conducting approximately 400 clinical trials for over 90 innovative drug candidates. In 2024, we enrolled nearly 20,000 participants in our clinical studies.

We pursue a patient-oriented strategy to quickly and cost-effectively progress clinical development. This strategy contains the following main components:

- *Fast proof of concept.* We conduct rapid proof-of-concept studies with clear endpoint definitions to establish preliminary efficacy and safety signals, which efficiently inform the design of our clinical development programs, help mitigate clinical development risks, and facilitate quicker go/no-go decisions. By quickly eliminating ineffective drugs, we can focus resources on promising candidates, reducing our overall cost of development.

- *Patient stratification.* Through clear patient stratification, we typically enroll only those patients who are most likely to achieve clinical benefits from our product candidates. By evaluating multiple cohorts of patients based on their specific characteristics, such as genomic alterations, or by using biomarkers to select patients who are more likely to benefit from the treatment, we can enhance trial efficacy, accelerate timelines, and pursue an accelerated regulatory approval pathway for certain targeted patient populations.

- *Adaptive trial design.* For some trials, we use accumulated data to perform interim analysis and decide how to modify aspects of an ongoing clinical trial, such as dosage, patient population, and treatment regimens, without undermining the validity and integrity of the trial. This flexibility makes the trial more efficient, potentially reducing the number of patients needed and shortening the timeline. The interim analysis also allows quicker go/no-go decisions, enabling us to halt ineffective treatments earlier to save time and resources.

- *Modular evolution in combination therapies.* While evaluating each module, we can quickly pivot and test various modules systematically. Applying this approach, we can shorten the overall timeline of exploring effective combination therapy options, thus accelerating our product development and iteration processes, and addressing various unmet medical needs. By enabling the progressive integration of new candidates, modifying treatment regimens based on emerging insights, and personalizing therapy based on patient characteristics, this approach can enhance the efficacy and safety of our treatments, particularly for complex and evolving diseases.

Besides our patient-oriented strategy, we adhere to stringent global standards when conducting clinical trials in China for our product candidates with global potential. Applying this approach, we can pursue concurrent IND submissions worldwide and accelerate multi-regional clinical trials for potentially first-in-class or best-in-class drug candidates. We have initiated multi-regional clinical trials in regions, including the U.S., Europe, Australia, Japan, and South Korea, for a number of products demonstrating global potential such as SHR-A1904, SHR-A1811, and camrelizumab in combination with apatinib.

Our end-to-end clinical development capabilities enable us to achieve superior operational efficiency in clinical development. For example, it took us around four years to advance our trastuzumab rezetecan (SHR-A1811) from the commencement of the clinical trial to obtaining the NMPA's acceptance of the NDA. From 2018 to the Latest Practicable Date, we had obtained approximately 60 facilitated regulatory pathways in China, the U.S., the EU, and other overseas markets. Our in-house clinical development capabilities allow us to efficiently expedite regulatory timelines for our products.

In addition to our superior efficiency, under the "patient first" guidepost, our pharmacovigilance professionals continuously monitor drug safety data to ensure patients' well-being and the integrity of our clinical development. Furthermore, we maintain robust quality assurance for the entire process of our clinical trials through a dedicated team of highly experienced clinical quality professionals. Our dedicated professionals implement stringent quality management over the entire process of clinical development. During the Track Record Period and up to the Latest Practicable Date, our clinical programs achieved a 100% pass rate with zero critical deficiencies in approximately 90 GCP inspections conducted by the NMPA and the U.S. FDA. In particular, in March, October, and November 2024, the U.S. FDA

conducted bioresearch monitoring inspections at three of our oncology clinical trial sites, and all of these inspections resulted in a classification of "NAI," representing the highest standard of GCP compliance and the best outcome of a U.S. FDA inspection.

R&D Publications

To demonstrate our R&D efforts and productivity, from 2022 to 2024, research and clinical studies investigating our products and product candidates resulted in 1,019 peer-reviewed papers in international academic journals, including high-impact journals such as *The Lancet*, *British Medical Journal, JAMA, Nature Medicine, and Journal of Clinical Oncology*, with a cumulative impact factor of approximately 7,173 across these publications. Impact factor is a measure of academic journals' scientometric index and reflects the yearly main number of citations of articles published in the last two years in a given journal.

The table below provides our selected influential publications.

Our Product(s)/ Product Candidate(s)	Article	Journal
Camrelizumab plus apatinib (also known as rivoceranib) . . .	Camrelizumab plus rivoceranib versus sorafenib as first-line therapy for unresectable hepatocellular carcinoma (CARES-310): a randomized, open-label, international phase 3 study	The Lancet
Camrelizumab plus famitinib . .	Optimizing first-line subtyping-based therapy in triple-negative breast cancer (FUTURE-SUPER): a multi-cohort, randomised, phase 2 trial	Lancet Oncology
Camrelizumab . . .	Camrelizumab versus Placebo in Combination with Chemotherapy as Neoadjuvant Treatment in Patients with Early or Locally Advanced Triple-Negative Breast Cancer	JAMA-Journal of the American Medical Association
Pyrotinib	Pyrotinib versus placebo in combination with trastuzumab and docetaxel as first-line treatment in patients with HER2-positive metastatic breast cancer (PHILA): a randomized, double-blind, multicenter, phase 3 trial	BMJ-British Medical Journal
	Pyrotinib plus capecitabine versus lapatinib plus capecitabine for the treatment of HER2-positive metastatic breast cancer (PHOEBE): a multicentre, open-label, randomised, controlled, phase 3 trial	Lancet Oncology
	Pyrotinib in HER2-Mutant Advanced Lung Adenocarcinoma After Platinum-Based Chemotherapy: A Multicenter, Open-Label, Single-Arm, Phase II Study	Journal of Clinical Oncology
	Pyrotinib or Lapatinib Combined With Capecitabine in HER2—Positive Metastatic Breast Cancer With Prior Taxanes, Anthracyclines, and/or Trastuzumab: A Randomized, Phase II Study	Journal of Clinical Oncology

Our Product(s)/ Product Candidate(s)	Article	Journal
	Phase I Study and Biomarker Analysis of Pyrotinib, a Novel Irreversible Pan-ErbB Receptor Tyrosine Kinase Inhibitor, in Patients With Human Epidermal Growth Factor Receptor 2—Positive Metastatic Breast Cancer	Journal of Clinical Oncology
Adebrelimab	Adebrelimab or placebo plus carboplatin and etoposide as first-line treatment for extensive-stage small-cell lung cancer (CAPSTONE-1): a randomised, placebo-controlled, phase 3 trial	Lancet Oncology
Dalpiciclib	Dalpiciclib or placebo plus fulvestrant in hormone receptor-positive and HER2-negative advanced breast cancer: a randomized, phase 3 trial	Nature Medicine
Fuzuloparib.	Fuzuloparib Maintenance Therapy in Patients with Platinum-sensitive, Recurrent Ovarian Carcinoma (FZOCUS-2): A Multicenter, Randomized, Double-blind, Placebo-controlled, Phase III Trial	Journal of Clinical Oncology
Rezvilutamide . . .	Rezvilutamide versus bicalutamide in combination with androgen-deprivation therapy in patients with high-volume metastatic hormone-sensitive prostate cancer (CHART): a randomised, open-label, phase 3 study	Lancet Oncology
Irinotecan	Irinotecan hydrochloride liposome HR070803 in combination with 5-fluorouracil and leucovorin in locally advanced or metastatic pancreatic ductal adenocarcinoma following prior gemcitabine-based therapy (PAN-HEROIC-1): a phase 3 trial	Signal Transduction and Targeted Therapy
Retlirafusp alfa . .	Neoadjuvant retlirafusp alfa with or without chemotherapy in unresectable stage III non-small-cell lung cancer: A proof of concept, phase 2 trial	Cancer Cell
SHR-A1811.	Safety, Efficacy, and Pharmacokinetics of SHR-A1811, a Human Epidermal Growth Factor Receptor 2—Directed Antibody-Drug Conjugate, in Human Epidermal Growth Factor Receptor 2—Expressing or Mutated Advanced Solid Tumors: A Global Phase I Trial	Journal of Clinical Oncology
	SHR-A1811 (antibody-drug conjugate) in advanced HER2-mutant non-small cell lung cancer: a multicenter, open-label, phase 1/2 study	Signal Transduction and Targeted Therapy
HR20013	Randomized, phase III trial of mixed formulation of fosrolapitant and palonosetron (HR20013) in preventing cisplatin-based highly emetogenic chemotherapy-induced nausea and vomiting: PROFIT	Journal of Clinical Oncology

Our Product(s)/ Product Candidate(s)	Article	Journal
Vunakizumab. . . .	Efficacy and safety of vunakizumab in moderate-to-severe chronic plaque psoriasis: A randomized, double-blind, placebo-controlled phase 3 trial	Journal of the American Academy of Dermatology
Recaticimab	Recaticimab Monotherapy for Nonfamilial Hypercholesterolemia and Mixed Hyperlipemia: The Phase 3 REMAIN-1 Randomized Trial	Journal of the American College of Cardiology
	Recaticimab as Add-On Therapy to Statins for Nonfamilial Hypercholesterolemia: The Randomized, Phase 3 REMAIN-2 Trial	Journal of the American College of Cardiology
Ivarmacitinib. . . .	Ivarmacitinib, a selective Janus kinase 1 inhibitor, in patients with moderate-to-severe active rheumatoid arthritis and inadequate response to conventional synthetic DMARDs: results from a phase III randomized clinical trial	Annals of the Rheumatic Diseases
SHR8028	Effect of SHR8028, a Water-Free Cyclosporine Ophthalmic Solution 0.1%, vs Vehicle for Dry Eye Disease	JAMA Ophthalmology

R&D Collaboration

As a supplement to our in-house clinical capabilities, we use services of R&D partners in limited circumstances. We have established stringent procedures for the selection, evaluation, and management of our R&D partners. We select our R&D partners based on factors such as their qualifications, credentials, professional experience, and industry reputation. Based on the service requirements of each project, we typically select multiple CROs or SMOs to participate in competitive biddings and negotiations, to ensure that we have alternative suppliers for each required service.

We collaborate with reputable, globally-leading CROs in our overseas clinical trials. In line with industry practice, these CROs support us in matters such as trial design, site selection, trial execution, data management and analysis, and compliance with regulatory requirements. As part of sponsor oversight on critical partners, we closely monitor the CROs' performance and compliance with our protocols and applicable laws, regulations, and guidelines, to ensure the high integrity and authenticity of our clinical trial data. In addition, we engage SMOs to assist in trial site management, including assisting in recruiting trial participants, coordinating site staff to confirm site process compliance, and maintaining data integrity at each site.

SALES, MARKETING AND DISTRIBUTION

Our Sales and Marketing Team

We promote our drugs primarily through our in-house sales and marketing team. As of September 30, 2024, our sales and marketing team consisted of approximately 9,000 employees across over 30 provincial-level regions in China. Meanwhile, we also have deep penetration in lower-tier cities and rural areas, which enables us to capture broader market opportunities. As of September 30, 2024, our sales network covered over 22,000 hospitals and over 200,000 offline retail pharmacies. Aside from offline retail pharmacies, our professional prescription drug sales team also covered all mainstream online pharmacy platforms as of the same date. In addition, we have established a specialized DTP team dedicated to expanding our DTP pharmacy channel to satisfy patients' diversified medical needs. We also utilize various channels and platforms to engage with patients and physicians, aiming to better serve patients with oncology and chronic diseases and improve their long-term treatment outcomes. To enhance our specialized marketing efforts, we have strategically built the following complementary functions to support our highly professional sales force:

- *Strategic planning:* formulates our commercial strategies, conducts market research and analysis, and coordinates with our production and R&D teams to support sales and marketing activities and better align R&D and manufacturing decisions with market demand.

- *Central marketing:* conducts in-depth analysis of the therapeutic areas, patient journeys, and clinical advantages of our products, develops differentiated branding strategies to effectively convey the advantages of our products to various types of healthcare professionals, thereby ensuring that our therapies are appropriately applied to maximize patients' benefits.

- *Central medical affairs*: formulates medical strategies, gathers insights from physicians' clinical practices, reviews and supports investigator-initiated trials and conducts real-world studies and medical educational training on our innovative products.

- *Central and provincial sales management:* manages and promotes the efficiency of our sales activities, implements our sales strategies, and manages and expands our sales network in local markets.

- *Sales force effectiveness:* develops methods for target setting, oversees sales roles across various regions, assesses daily activities, and formulates incentive policies to enhance the productivity and efficiency of our sales team.

- *Central and provincial market access:* negotiates with regulators on market access related matters such as centralized tender processes, VBP schemes, the NRDL, and other government-sponsored insurance programs, and works towards hospital listings for our drugs.

We have established professional academic promotion teams in various therapeutic areas to promote medical professionals' knowledge and understanding of the clinical benefits of our drugs. We provide regular training to equip our sales and marketing personnel with the latest industry knowledge, timely understanding of our innovative products, and academic promotion skills. In addition to our detailed procedures, policies, and guidelines, we conduct compliance inspections to regulate our sales and marketing personnel's interactions with, and promotion of our products to, healthcare professionals. Furthermore, we conduct regular audits of our sales and have implemented a risk warning mechanism to minimize risks in product sales and ensure that our marketing practices comply with applicable laws and regulations.

Academic Promotion

We focus on academic promotion to facilitate market adoption of our cutting-edge innovations. As early as in the drug discovery process, we would evaluate candidate molecules' commercial potential to efficiently identify promising compounds. Once we have favorable clinical results, we focus on academic promotion to prepare for the commercialization of relevant product candidates.

Leveraging our over 50 years' industry experience and our premium brand, we have built long-term academic relationships with many renowned physicians and other healthcare professionals. We have supported investigator-initiated trials and performed various post-market real-world studies to benefit more patients and collect clinical evidence to further validate our products. Physicians typically look to peer experts and key opinion leaders in the medical community for guidance in research, diagnosis and treatment. Publications of our R&D results in high-impact journals such as *The Lancet*, *Journal of Clinical Oncology, JAMA,* and *Natural Medicine* have been instrumental in raising the awareness of our differentiated innovative drugs and driving their adoption in the medical community.

Furthermore, we regularly organize and participate in a wide variety of major domestic and international academic conferences, seminars and symposia in relation to our main therapeutic areas to enhance our brand recognition. Many of our product studies have been presented at major international academic conferences such as the ASCO Annual Meeting, the European Lung Cancer Conference, the American Society of Gynecological Oncology Annual Meeting, the European Breast Cancer Conference, the World Conference on Lung Cancer, the ADA Annual Meeting, and the American Academy of Dermatology Annual Meeting, among which we have presented major research studies in the ASCO Annual Meeting for 13 consecutive years.

Moreover, as part of our branding strategy, we actively organize and participate in medical research funding initiatives to promote the development of the medical community. For example, in November 2023, we launched a program to invite cardiothoracic surgery experts from Royal College of Surgeons, the University of Cambridge to deliver lectures, analyze difficult cardiothoracic surgery cases and perform live surgeries in Shaoxing, Zhejiang Province and Shanghai, China. This program not only provided new perspectives for the improvement of medical technologies in China, but also solidified the foundation for the cooperation and academic communication between hospitals in China and around the globe.

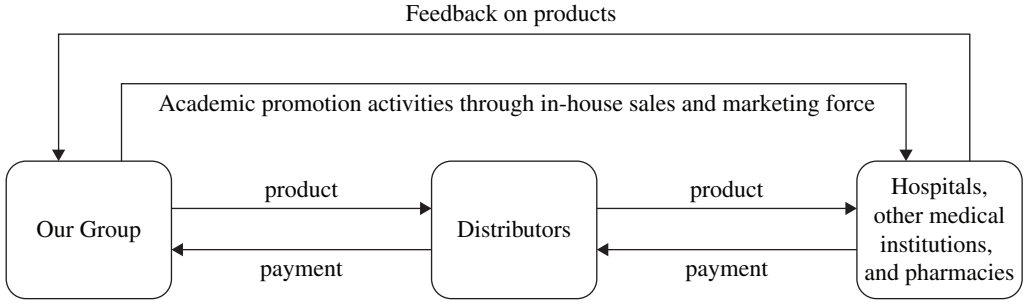
Sales and Distribution

We generate revenue from sales of pharmaceutical products in China predominantly by selling our products to distributors who, in turn, sell our products to hospitals, other medical institutions, and pharmacies. We also sell a minor portion of our APIs and drugs directly to certain pharmacies and international pharmaceutical companies, which accounted for less than 2% of our total revenue for each year/period during the Track Record Period. Our sales and distribution arrangement is in line with industry norms in the pharmaceutical industry, according to Frost & Sullivan.

Distribution

We primarily sell our pharmaceutical products through third-party distributors, who are our direct customers. We believe this distribution model helps extend our coverage in a cost-effective manner while retaining proper control over our distribution network and the marketing and promotion process.

The following diagram illustrates the relationships among us, our distributors and the hospitals, other medical institutions, and pharmacies that purchase our products from the distributors:



Distributor Network

We had established a comprehensive, tiered market coverage through our robust distribution channel. As of September 30, 2024, our distribution network comprised 603 distributors across over 30 provincial-level regions in China and for overseas markets. During the Track Record Period, our distributors in China contributed a substantial majority of our revenue from drug sales. To the best knowledge of our Directors, during the Track Record Period, all of our distributors were Independent Third Parties, and none of our distributors were wholly-owned or majority controlled by our former or current employees. In addition, to the best knowledge of our Directors, we do not have any other relationship or arrangement (including family, business, financing, guarantee or otherwise in the past or present) with the distributors engaged by us during the Track Record Period.

The following table sets forth the changes in the number of our distributors for the periods indicated below:

	For the Year Ended December 31,		For the Nine Months Ended September 30,
	2022	2023	2024
Number of distributors at the beginning of the period	580	592	579
Addition of new distributors	46	39	47
Termination of existing distributors	(34)	(52)	(23)
Net increase/(decrease) in distributors	12	(13)	24
Number of distributors at the end of the period	592	579	603

We regularly review the performance of our distributors based on their market coverage, sales growth, reputation, level of cooperation, compliance with the terms of our distribution agreement, and overall credit profiles. Based on the results of our review, we may elect to terminate distributors who fail to meet our performance criteria. In 2022, 2023, and the nine months ended September 30, 2024, a total of 34, 52, and 23 distributors were terminated, respectively. These were primarily because we continued to optimize our distribution network by terminating under-performing distributors.

Distributor Management

We screen and select our distributors mainly based on criteria such as their business qualifications, creditworthiness, distribution coverage, sales capabilities, past performance, reputation, and compliance record. We conduct inspections to evaluate the performance of distributors. We also check the qualification of our distributors to ensure that they have obtained the necessary permits, licenses, and certifications for the distribution of relevant products, including drug operation permits and GSP certifications. In addition, we carry out regular evaluations of the distributors to determine whether to adjust our list of qualified distributors and their designated distribution regions.

To optimize our product delivery and market coverage, we actively monitor the number of our distributors and our distributors' inventory levels and further track the flow of our products. Sales of our products to distributors are generally not subject to seasonal fluctuations. Our distributors are also required to maintain sufficient inventory level to ensure no shortage of supply of our products. To manage the traceability of our products, we mandate that distributors scan QR codes during the distribution process. In addition, we have also established a periodical reconciliation mechanism to ensure the accuracy of accounts. Our distributors are required to provide GSP-compliant storage conditions for our products. All of our distributors are required by GSP regulations to ensure that they only sell products to

qualified end-customers. Each of our pharmaceutical products has a specified expiry period. We are generally responsible for disposing of our pharmaceutical products that are beyond the specified expiry period after they are returned to us. We do not permit our distributors to sell any expired pharmaceutical products.

We manage cannibalization risk among our distributors through enforcement of our distribution agreements, which specify the designated products and geographic regions for each distributor. Our distributors are prohibited from distributing our products to customers outside their specified regions. In addition, for each of our products, we generally only maintain one primary distributor for each hospital.

Due to the implementation of the "two-invoice system" in China, generally our distributors are legally prohibited from engaging sub-distributors for distribution of our products to public medical institutions in the PRC. For distribution of our products to private medical institutions and pharmacies in the PRC and to overseas countries, we do not require our distributors to seek our prior approval to engage sub-distributors. We do not have contractual relationships with sub-distributors engaged by our distributors, nor do we manage such sub-distributors directly. Instead, we rely on our distributors to supervise their respective sub-distributors.

Terms of Distribution Agreements

We have a seller-buyer relationship with our distributors under the buy-out sale model. We retain no ownership over the products that we sell to them, and all significant risks and rewards associated with these products are transferred to them upon delivery to and acceptance by them.

The following sets forth salient terms of our distribution agreements.

- *Term.* The typical duration of our distribution agreements is one year for our distributors.

- *Designated distribution area.* Distributors are generally not allowed to sell our products outside of their designated distribution areas.

- *Exclusivity.* Distributors are granted the distributorship right for specified types of products in their designated distribution areas, generally on a non-exclusive basis.

- *Sales target and minimum purchase requirement.* Our agreements with distributors generally do not specify an agreed annual sales target or minimum annual purchase amount.

- *Pricing and resale price management.* Our selling prices to distributors are generally fixed during the term of the distribution agreements, and we set pricing terms for our distributors primarily based on the products' selling prices to hospitals and other medical institutions, which may vary in different regions. However, in the event of a retail price change as a result of regulatory or policy changes, centralized tender processes, or pricing negotiations with the government during the term of the distribution agreement, we and the relevant distributors typically would negotiate price adjustments accordingly.

- *Retail price management.* We generally do not control the prices at which our distributors resell our products to their customers.

- *Return of products.* Our distributors are required to inspect the products on delivery. Returns and exchanges are generally not allowed except for defective products or other reasonable requests for return that we approve. Our return policies generally comply with industry practice.

- *Credit terms.* We generally grant our distributors a credit term of 30 to 90 days, except that new customers are typically required to pay in advance.

- *Termination.* We may terminate the distribution agreements in the event of, among others, any material breach by our distributors of the agreement.

- *Others.* Our distributors are not authorized to use our trade name or any other material which may lead others to believe that they are acting on our behalf. They are required to comply with PRC laws and regulations, including anti-corruption and anti-bribery laws and regulations.

PRODUCT PRICING

We formulate reasonable pricing strategies for our commercialized products to maintain our competitiveness, market position, and profitability. When determining the prices of our commercialized products, we consider various factors including our R&D, production, sales, and marketing costs and expenses, the market potential, product innovation, products' comparative advantages, the perceived value of the products, as well as our share in the markets where the products are marketed.

The prices of our commercialized products are also affected by the laws and regulations governing the pharmaceutical industry. In China, the government regulates prices mainly by establishing a consolidated procurement mechanism, restructuring medical insurance reimbursement standards and strengthening regulation of medical and pricing practices.

We are dedicated to closely monitoring new laws and regulations affecting the pricing of pharmaceuticals in China and making timely adjustments to our pricing strategies.

Centralized Tender Process and Volume-based Procurement

Most pharmaceutical products that are sold to public hospitals and other public medical institutions in China must go through a competitive centralized tender process at the provincial or municipal level to make the price of drugs more affordable. In these centralized tender processes, pharmaceutical companies submit bids to supply their products to public medical institutions at specified prices, and the selection of winning bidders is based on multiple factors, including bid price, product quality, clinical effectiveness, and qualifications and reputation of the manufacturer. If, through these tender processes, we become a winning bidder, our relevant products will be sold to the public medical institutions at our bid price, which primarily determines the price at which we sell the products to our distributors. For more details on centralized tender process, see "Regulatory Overview—Overview of Laws and Regulations in the PRC—Drug Purchases by Hospitals." This process has created pricing pressure on us, which may decrease our revenue from relevant products and resulting in our loss of market share in regions where we failed to win bids. Our bidding and pricing strategies tailored around centralized tender process policies and our product competitiveness helped us win bids and expand our market access.

In addition, prices of certain pharmaceutical products in China sold to public hospitals and public medical institutions are affected by the VBP scheme. The VBP scheme aims to achieve a lower price of pharmaceuticals with mature, high-volume clinical usage and sufficient market competition through a competitive bidding process for large-volume procurement. The VBP scheme has been rolled out at both national and regional levels. As part of the bidding process for the VBP scheme, relevant products need to undergo an evaluation and approval procedure based on specific criteria. While the VBP scheme sometimes allows us to sell our products in larger volumes, it typically exerts downward pressure on the prices at which we sell our products to our distributors. To mitigate such impact, we continue to diversify our product matrix by introducing new innovative drugs.

NRDL

Participants in China's public medical insurance programs, along with their employers, if any, are required to contribute to these programs on a monthly basis. They are eligible for full or partial reimbursement of the cost of drugs included in the NRDL, which sets out the payment standard for drugs under the basic medical insurance, work-related injury insurance and maternity insurance funds. The National Healthcare Security Administration of the PRC, along with other government authorities, determines which drugs are included in the NRDL. Drugs listed in any government-led medical insurance program, such as the NRDL, generally undergo a pricing negotiation process with the government, which typically results in price reductions. For more details on the NRDL, see "Regulatory Overview—Laws and Regulations in Relation to New Drugs—National Reimbursement Drug List of China."

Overall, the benefits of having our pharmaceutical products included in China's national and provincial medical insurance programs significantly outweighed the countervailing factors during the Track Record Period.

MANUFACTURING AND QUALITY MANAGEMENT

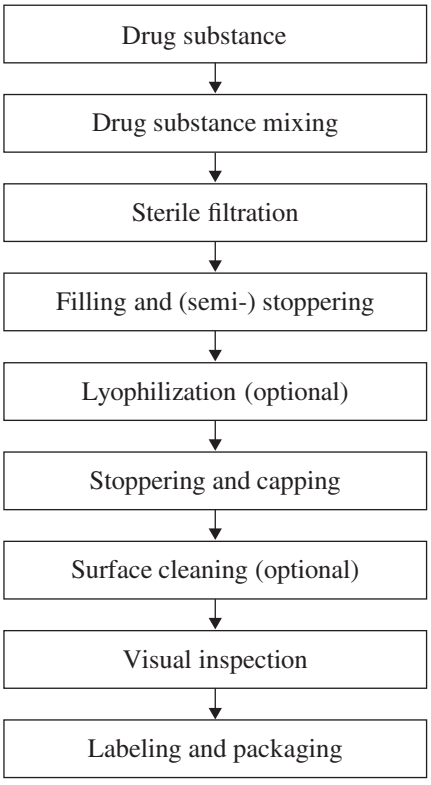
Manufacturing Process

During the Track Record Period, we manufactured our pharmaceutical products and product candidates fully in-house, except for a limited number of in-licensed products. In addition, we produced a substantial majority of the drug substances used in our pharmaceutical products. We operate tailored manufacturing processes for our pharmaceutical products in a variety of dosage forms, which primarily include injectables, oral solids, and active pharmaceutical ingredients.

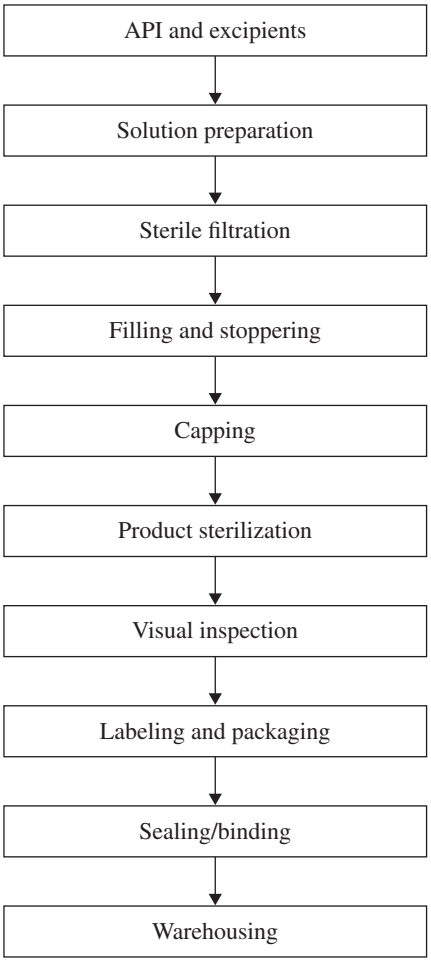
Injectable Dosage Form

The injectables we manufacture include primarily injectable solutions, powder for injection, and lyophilized powder for injection. The following diagram summarizes the production process for our biologics and small molecule drugs in injectable dosage form. Our products manufactured pursuant to the process below include, for example, adebrelimab, camrelizumab, mecapegfilgrastim, vunakizumab, remimazolam, and tegileridine.

Biologics

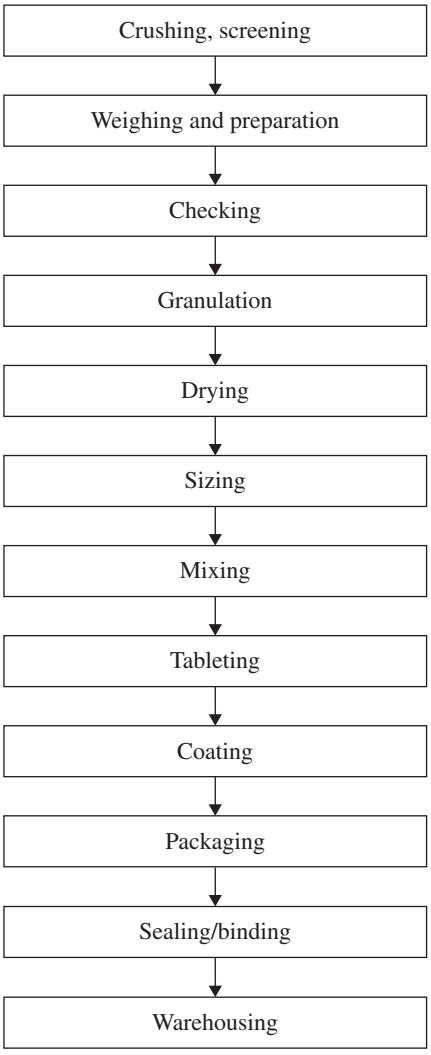


Small Molecules



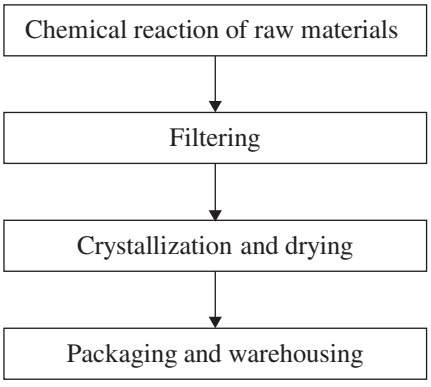
Oral Dosage Form

We manufacture a variety of oral tablets and capsules. The following flowchart summarizes the typical manufacturing process for these products. Our products manufactured pursuant to the process below include, for example, linperlisib, herombopag, and imrecoxib.



Active Pharmaceutical Ingredients

The following flowchart summarizes the typical manufacturing process for our active pharmaceutical ingredients.



Manufacturing Facilities

We currently have 12 manufacturing facilities located in nine cities across China, including four located in Lianyungang, two located in Chengdu, and one located in each of Xiamen, Guangzhou, Tianjin, Jinan, Suzhou, and Shanghai. The following table sets forth a summary of our production facilities in use as of the Latest Practicable Date:

Location	Major Production	Site Area	Gross Floor Area
		(thousand sq.m.)	*(thousand sq.m.)*
Lianyungang, Jiangsu	Biologics and small molecules	249.8	142.0
Lianyungang, Jiangsu	APIs	200.3	110.3
Lianyungang, Jiangsu	Biologics	95.0	60.6
Lianyungang, Jiangsu	Biologics and small molecules	58.3	33.7
Chengdu, Sichuan	Biologics and small molecules	100.0	43.4
Chengdu, Sichuan	APIs	66.9	32.2
Xiamen, Fujian	Peptides and nucleic acid drugs	94.2	20.7
Guangzhou, Guangdong	Biologics	65.9	23.6
Tianjin	Radioactive drugs	46.5	7.2
Jinan, Shandong	Small molecules	18.0	27.2
Suzhou, Jiangsu	Biologics	110.2	66.8
Shanghai	Small molecules	44.0	14.6

During the Track Record Period and up to the Latest Practicable Date, we obtained production licenses for all of our manufacturing facilities. Additionally, as of the Latest Practicable Date, all of our production lines for commercialized products had received the GMP certification. For details, see "—Legal and Compliance—Licenses, Permits and Certificates."

We are committed to advancing the digitalization and automation of our production management processes. During the Track Record Period, we implemented several digital systems, including our laboratory information management system, and quality management system. In addition, we implemented a supervisory control and data acquisition (SCADA) system to collect data at each stage of the manufacturing process. The integration of these systems promotes the traceability of manufacturing information, automates the production materials delivery, and enables real-time scheduling of manufacturing procedures. The SCADA system also enables one-stop control over the entire production process, facilitating an easy and automated production process.

In addition, we provide annual training sessions to enhance our quality and manufacturing team's understanding of quality assurance and production procedures, the content of which is customized based on the specific products to be manufactured and regulatory requirements. We also provide additional training to personnel who make significant mistakes during the manufacturing process to help them avoid future mistakes.

The following table sets forth our designed production capacity, actual production volume and utilization rate for production lines that are used in the production of injectables and oral solids as of the dates and for the periods indicated.

		As of/For the Year Ended December 31,						As of/For the Nine Months Ended September 30,		
		2022			2023			2024		
Production Line	Unit	Designed Production Capacity[1]	Production Volume	Utilization Rate	Designed Production Capacity	Production Volume	Utilization Rate	Designed Production Capacity	Production Volume	Utilization Rate
				(%)[2]			(%)[2]			(%)[2]
Injectables	million vials	223.6	155.4	69.5	222.5	145.3	65.3	159.6	108.7	68.1
Oral solids (including tablets and capsules)	million pieces	2,996.5	2,251.3	75.1	3,436.4	2,461.0	71.6	3,756.9	2,324.4	61.9

(1) The designed production capacity for a production line is calculated based on 255 effective production days a year on a triple shift basis (i.e., 24 hours) for oral solids, and a double shift basis (i.e., 16 hours) for other products.

(2) Utilization rate equals actual production volume divided by production capacity.

In formulating our expansion and update plan, we have taken into consideration several factors, including the projected market demand for our products, the timing of these plans, the development progress of our product candidates, technological developments that are relevant to our manufacturing process, and the estimated capital expenditures. In particular, we believe the following factors indicate sufficient market demand to support the planned increase in our production capacity: historical growth rates of our sales of commercialized innovative drugs; our robust pipeline of late-stage innovative product candidates, including those with significant market potential; and our strategy to deepen our market penetration and expand our coverage of hospitals and other medical institutions through efficient sales and marketing efforts.

Raw Materials

The principal raw materials used for the production of our pharmaceutical products primarily consist of APIs, intermediates, excipients, raw materials for biological products, chemicals, and detection reagents.

We only purchase raw materials used in our product development and manufacturing process from approved suppliers. We maintain and constantly update an approved list of qualified suppliers. We assess potential suppliers based on various factors including their credentials, product quality, occupational health and safety and environmental management, and we conduct sample tests on potential suppliers to ensure that the quality of their products meets our standard. We routinely review, assess, and rate our suppliers' performance and check their qualifications to ensure the legality and quality of our raw materials.

To efficiently regulate the access and behaviors of suppliers, our supplier management department has put in place supplier access policies, supplier performance policies, and in-process supplier management policies and adopted a digitalized supplier relationship management system to manage the whole lifecycle of procurement, from supplier registration and approval to sample collection, on-site inspections and supplier performance assessment.

Most of the raw materials used for our products are readily available in the market through multiple suppliers, and we believe we have alternative sources for such raw materials with comparable quality and prices. During the Track Record Period, we did not experience significant difficulties in maintaining stable sources of supplies, and we expect that we can continue to maintain adequate sources of qualified supplies in the future. We generally enter into supply agreements with our raw material suppliers and make procurements on an as-needed basis. The purchase price of our raw materials is generally determined through a bidding process. Upon the acceptance of the raw materials, we are typically required to make full payment to the relevant supplier within 90 days after receiving the invoice. Our suppliers are generally responsible for arranging the delivery to our designated production facilities at their own costs. We are entitled to exchange goods that do not meet our requirements or industry standards. If the exchanged goods still fail to meet relevant requirements or standards, we are generally entitled to terminate the supply agreement and request a refund. We generally contract with more than one supplier for each major type of raw material, except for very few specified raw materials for which we contract with exclusive suppliers.

We have established standardized procurement processes and a scientific procurement management system to reduce procurement costs and improve our procurement quality and efficiency. We have standardized each step of the procurement process from sourcing, to negotiation, execution and supervision. Our supply chain management department evaluates the capacity of our production lines and makes procurement plans based on our R&D results and market expectations, and timely adjusts the plans based on changes in our demand for raw materials, capacity of our production lines, and our inventory level. We have a dedicated procurement center that is responsible for the overall procurement management. Each department under our procurement center submits procurement requests through our centralized procurement management system, and such requests are integrated into our procurement center upon approval by relevant managers. To avoid unnecessary procurement and effectively control procurement costs, only the procurement requests that are approved will be implemented.

Quality Management

We believe that an effective quality management system is critical to ensuring the quality of our products, maintaining our reputation and success, and safeguarding the health of consumers. We have implemented and continuously improved our quality management system and policies to ensure our product quality. Our quality management systems are designed in accordance with applicable GMP standards, and our exported product comply with or exceed global quality standards such as EU GMP, the U.S. cGMP, and the ICH Quality Guidelines. Our quality management system complies with applicable PRC laws and regulations on drug administration.

We have established comprehensive quality management procedures and protocols, which span the entire production lifecycle from raw material procurement to final product quality testing and release. We have also been promoting the digital transformation of our quality management system, including the use of quality management software such as quality management system, Document Management System and Laboratory Information Management System, to improve the overall efficiency of our product quality management.

We have extensive compliance experience under the manufacturing and quality-related requirements of overseas regulators such as the U.S. FDA and the EMA. For example, we obtained U.S. FDA approval for a total of three ANDAs for our first-to-market generics in January, July, and October 2024. During the Track Record Period, we consistently passed various official inspections conducted by domestic and foreign drug supervision and management authorities such as the NMPA and the U.S. FDA or made rectification in a timely manner in accordance with the rectification suggestions made by regulatory authorities. Separately, we frequently receive inspections from our existing and potential global partners, leading to many long-term collaborations. These achievements reaffirm the global recognition of our quality management system.

We have recently hired our Chief Quality Officer, an industry veteran with over 30 years of global experience (including experience working at the U.S. FDA) in the pharmaceutical industry to further enhance our quality management. He was a former senior CMC reviewer at the U.S. FDA and worked as the director and senior manager of CMC in several leading Chinese and multinational pharmaceutical companies. We have established a professional quality team that actively participates in the quality management throughout the product life cycle from R&D to production and launch and marketing of the products to monitor product quality at all stages. As of September 30, 2024, we had a dedicated quality team of over 1,100 employees, most of whom had pharmaceutical, chemistry or related technical expertise.

Our employees are required to participate in multiple GMP-related trainings held by drug supervision and inspection authorities, as well as industry associations. In addition, we conduct training sessions themed on quality management to promote the awareness of quality management among our employees, and we encourage our employees to participate in the construction of our quality management system. These activities and initiatives enable our employees to continuously enhance their professional skills and knowledge while understanding the regulatory requirements for our quality and production activities and facilities.

Additionally, we have received various industry recognitions for our exceptional quality management capabilities. For example, in March 2023, we were awarded by the China Quality Association for Pharmaceuticals as "First-Batch Quality Assurance Enterprise for Sterile Drugs." In September 2023, we also won the first prize of the "China Quality Association for Pharmaceuticals Quality Team Activities." In July 2022 and November 2023, we were awarded by the Jiangsu Quality Association for Pharmaceuticals as "Excellent Enterprise of Quality Management in the Pharmaceutical Industry in Jiangsu Province." Moreover, we actively contribute to the development of industry standards and regulations for quality management, promoting systematic growth in the pharmaceutical sector while fulfilling our social responsibilities.

Key aspects of our quality management procedures are as follows:

Raw Material Quality Management

We only purchase raw materials and other components used in our product development and manufacturing process from approved suppliers. We have established comprehensive quality management policies covering various aspects of raw materials management, including raw materials receipt, examination, evaluation, release, and dispensing. After we receive the raw materials, we examine the materials in accordance with our quality standards, and only those raw materials that meet the quality standards would be evaluated and released for further processing.

Production In-process Quality Management

During the production process, we conduct quality testing for intermediates, semi-finished products, and we monitor the manufacturing process of our products. We have implemented a thorough production in-process quality management relevant system. We carry out our manufacturing processes in compliance with GMP requirements.

Final Product Quality Management

We have implemented complete final product release testing, approval and release policies to guarantee the quality of our final products. All of our final products, before their release to the market, are required to undergo sampling and release tests. To ensure sound and accurate testing of all products, we have established our in-house laboratory quality management center, which implements a comprehensive management system and strict quality testing procedures. We conduct testing on the final products in accordance with applicable national quality standards and testing methods for pharmaceutical products. After the testing results are reviewed and approved by relevant qualified personnel and the management in charge of our quality management, the final products that comply with GMP requirements and meet relevant quality standards will be released.

We monitor the quality of our products throughout their full life cycles, and implement effective quality management measures after the commercialization of our products. We have established a comprehensive pharmacovigilance system and put in place a series of after-sales policies, including the complaint handling policy, adverse drug reaction monitoring policy, and product recall policy. Our drug tracing platform uses barcodes to ensure the traceability of drug products that enter into the market. We have also stipulated detailed scenarios where products should be recalled, and set forth guidelines on product recalls. According to our product recall procedures, we will evaluate our recalled products and, based on results of our evaluation, destroy our recalled products or take other appropriate measures under regulatory agencies' supervision.

Inventory Management

Our inventory consists primarily of finished products, work in progress, and raw materials. We have established an inventory management system that monitors each stage of the warehousing process. All raw materials and products are stored in different areas in our warehouses according to their respective storage condition requirement, properties, usage and batch number. Our warehousing personnel are responsible for receiving inspection, warehousing, storage, and distribution of production materials and finished products. We generally purchase raw materials based on their shelf-lives and required lead times. At the same time, we closely monitor our inventory levels and keep appropriate levels of stock for different products. We implement inventory management policies regulating the receipt, inspection,

storage, and shipping of inventory in accordance with applicable GMP requirements. In addition, we use ERP and WMS systems for digital management of our inventory and to record the operations of our warehousing personnel, thereby enhancing the efficiency of our inventory management.

CUSTOMERS

Our customers primarily consist of distributors of our pharmaceutical products in China and around the globe and international pharmaceutical companies to which we out-licensed certain rights with respect to our drugs and drug candidates. In each of the years ended December 31, 2022 and 2023 and the nine months ended September 30, 2024, we generated revenue of RMB12,724.9 million, RMB14,163.9 million, and RMB12,392.4 million from our five largest customers, respectively, representing 59.8%, 62.0%, and 61.3% of our total revenue for the respective periods.

The following table sets forth the details of our five largest customers during the Track Record Period:

For the Year Ended December 31, 2022

Rank	Customer	Products/ Services Provided	Customer Background	Year of Commencing Business Relationship	Revenue Contribution	As a Percentage of Our Total Revenue
					(RMB million)	*(%)*
1 . . .	Customer A	Pharmaceutical products	Distributor; a public company and its subsidiaries, focused on the distribution and retail of pharmaceuticals, healthcare products, and medical devices, and related services	2005	6,126.5	28.8

Rank	Customer	Products/ Services Provided	Customer Background	Year of Commencing Business Relationship	Revenue Contribution	As a Percentage of Our Total Revenue
					(RMB million)	*(%)*
2 . . .	Customer B	Pharmaceutical products	Distributor; subsidiaries of a public company, focused on the distribution and retail of pharmaceuticals, healthcare products, and medical devices, and related services	2011	2,659.7	12.5
3 . . .	Customer C	Pharmaceutical products	Distributor; subsidiaries of a public company, focused on the manufacturing, distribution, and retail of pharmaceuticals, healthcare products, and medical devices	2001	2,335.0	11.0
4 . . .	Customer D	Pharmaceutical products	Distributor; a public company and its subsidiaries, focused on the wholesale and retail of pharmaceuticals	2000	896.4	4.2
5 . . .	Customer E	Pharmaceutical products	Distributor; subsidiaries of a public company, focused on the sale of pharmaceuticals, healthcare products, and medical devices, and related services	2000	707.3	3.3
	Total				12,724.9	59.8

For the Year Ended December 31, 2023

Rank	Customer	Products/ Services Provided	Customer Background	Year of Commencing Business Relationship	Revenue Contribution	As a Percentage of Our Total Revenue
					(RMB million)	*(%)*
1 . . .	Customer A	Pharmaceutical products	Distributor; a public company and its subsidiaries, focused on the distribution and retail of pharmaceuticals, healthcare products and medical devices, and related services	2005	6,784.5	29.7
2 . . .	Customer B	Pharmaceutical products	Distributor; subsidiaries of a public company, focused on the distribution and retail of pharmaceuticals, healthcare products and medical devices, and related services	2011	3,150.8	13.8
3 . . .	Customer C	Pharmaceutical products	Distributor; subsidiaries of a public company, focused on the manufacturing, distribution, and retail of pharmaceuticals, healthcare products, and medical devices	2001	2,498.1	10.9
4 . . .	Customer D	Pharmaceutical products	Distributor; a public company and its subsidiaries, focused on the wholesale and retail of pharmaceuticals	2000	948.5	4.2

Rank	Customer	Products/ Services Provided	Customer Background	Year of Commencing Business Relationship	Revenue Contribution	As a Percentage of Our Total Revenue
					(RMB million)	*(%)*
5 . . .	Customer E	Pharmaceutical products	Distributor; subsidiaries of a public company, focused on the sale of pharmaceuticals, healthcare products, and medical devices, and related services	2000	782.0	3.4
	Total				14,163.9	62.0

For the Nine Months Ended September 30, 2024

Rank	Customer	Products/ Services Provided	Customer Background	Year of Commencing Business Relationship	Revenue Contribution	As a Percentage of Our Total Revenue
					(RMB million)	*(%)*
1 . . .	Customer A	Pharmaceutical products	Distributor; a public company and its subsidiaries, focused on the distribution and retail of pharmaceuticals, healthcare products, and medical devices, and related services	2005	5,579.0	27.6

Rank	Customer	Products/ Services Provided	Customer Background	Year of Commencing Business Relationship	Revenue Contribution	As a Percentage of Our Total Revenue
					(RMB million)	*(%)*
2 . . .	Customer B	Pharmaceutical products	Distributor; subsidiaries of a public company, focused on the distribution and retail of pharmaceuticals, healthcare products, and medical devices, and related services	2011	2,498.5	12.4
3 . . .	Customer C	Pharmaceutical products	Distributor; subsidiaries of a public company, focused on the manufacturing, distribution, and retail of pharmaceuticals, healthcare products, and medical devices	2001	2,198.2	10.9
4 . . .	Customer F	Licensing	Pharmaceutical company; a subsidiary of a public company focused on healthcare, life science, and performance materials	2023	1,379.9	6.8
5 . . .	Customer D	Pharmaceutical products	Distributor; a public company and its subsidiaries, focused on the wholesale and retail of pharmaceuticals	2000	736.8	3.6
	Total				12,392.4	61.3

The credit terms that we provided to our five largest customers generally ranged from 30 to 90 days after the invoice date, with payments made through wire transfers or banks' acceptance bills. To the best knowledge of our Directors, during the Track Record Period, all of our five largest customers were Independent Third Parties. None of our Directors or their respective close associates, and to the best knowledge of our Directors, none of our Shareholders who own more than 5% of the Shares in issue, had any interest in any of our five largest customers in each year/period during the Track Record Period. In addition, to the best knowledge of our Directors, there is no other relationship or arrangement (including family, business, financing, guarantee, or otherwise in the past or present) between any of our five largest customers during the Track Record Period and us.

SUPPLIERS

Our suppliers primarily consist of suppliers of APIs, excipients and other raw materials. In each of the years ended December 31, 2022 and 2023 and the nine months ended September 30, 2024, our aggregate purchases from our five largest raw material suppliers amounted to RMB842.5 million, RMB957.1 million, and RMB736.4 million, respectively, representing 24.1%, 27.0%, and 26.1% of our cost of sales for these respective periods.

The tables below set forth certain details of our five largest raw material suppliers during the Track Record Period:

For the Year Ended December 31, 2022

Rank	Supplier	Products/ Services Purchased	Supplier Background	Year of Commencing Business Relationship	Purchase Amount	As a Percentage of Our Cost of Sales
					(RMB million)	*(%)*
1 . .	Supplier A	Raw materials	A public company focused on the manufacturing of pharmaceutical intermediates	2003	270.5	7.8
2 . .	Supplier B	Raw materials	A private company focused on the manufacturing and research of chemical raw materials and pharmaceutical intermediates	2021	165.1	4.7

Rank	Supplier	Products/ Services Purchased	Supplier Background	Year of Commencing Business Relationship	Purchase Amount	As a Percentage of Our Cost of Sales
					(RMB million)	*(%)*
3 . .	Supplier C	Raw materials	A private company focused on the manufacturing of basic chemical raw materials	2006	151.5	4.3
4 . .	Supplier D	Raw materials	A private company focused on the R&D of chemicals, pharmaceuticals, biology, and technical developments in the chemical industry	2017	132.5	3.8
5 . .	Supplier E	Raw materials	A subsidiary of a public company, focused on the trading and distribution of chemical products	2009	122.9	3.5
	Total				842.5	24.1

For the Year Ended December 31, 2023

Rank	Supplier	Products/ Services Purchased	Supplier Background	Year of Commencing Business Relationship	Purchase Amount	As a Percentage of Our Cost of Sales
					(RMB million)	*(%)*
1 . .	Supplier A	Raw materials	A public company focused on the manufacturing of pharmaceutical intermediates	2003	343.6	9.7
2 . .	Supplier F	Raw materials	A private company focused on the manufacturing of tablets, capsules, granules, APIs, and industrial chemical raw materials	2019	251.9	7.1
3 . .	Supplier B	Raw materials	A private company focused on the manufacturing and research of chemical raw materials and pharmaceutical intermediates	2021	137.8	3.9
4 . .	Supplier C	Raw materials	A private company focused on the manufacturing of basic chemical raw materials	2006	113.6	3.2
5 . .	Supplier G	Raw materials	A public company focused on the manufacturing of pharmaceuticals and basic chemical materials	2016	110.2	3.1
	Total				957.1	27.0

For the Nine Months Ended September 30, 2024

Rank	Supplier	Products/ Services Purchased	Supplier Background	Year of Commencing Business Relationship	Purchase Amount	As a Percentage of Our Cost of Sales
					(RMB million)	*(%)*
1 . .	Supplier B	Raw materials	A private company focused on the manufacturing and research of chemical raw materials and pharmaceutical intermediates	2021	263.2	9.3
2 . .	Supplier F	Raw materials	A private company focused on the manufacturing of tablets, capsules, granules, APIs, and industrial chemical raw materials	2019	139.1	4.9
3 . .	Supplier A	Raw materials	A public company focused on the manufacturing of pharmaceutical intermediates	2003	127.2	4.5
4 . .	Supplier G	Raw materials	A public company focused on the manufacturing of pharmaceuticals and basic chemical materials	2016	106.3	3.8
5 . .	Supplier H	Raw materials	A subsidiary of a public company, focused on the manufacturing of basic chemical raw materials	2018	100.6	3.6
	Total				736.4	26.1

The credit terms that our five largest raw material suppliers provided to us generally ranged from 30 to 90 days after receipt of the invoice, with payments made through wire transfers or banks' acceptance bills. To the best knowledge of our Directors, during the Track Record Period, all of our five largest suppliers were Independent Third Parties. None of our Directors or their respective close associates, and to the best knowledge of our Directors, none of our Shareholders who own more than 5% of the Shares in issue, had any interest in any of our five largest suppliers in each year/period during the Track Record Period. In addition, to the best knowledge of our Directors, there is no other relationship or arrangement (including family, business, financing, guarantee, or otherwise in the past or present) between any of our five largest suppliers during the Track Record Period and us.

INTELLECTUAL PROPERTY RIGHTS

As of December 31, 2024, we filed 2,609 patent applications in the Greater China region and 704 patent applications under the Patent Cooperation Treaty. As of the same date, we owned 1,084 issued patents in the Greater China region and 753 issued patents in other jurisdictions, including the United States, Europe and Japan. Our patent strategy is focused on seeking coverage for our new drug compounds, protein molecular structures, preparation processes, among others, providing a comprehensive and long-term patent protection for our products and technologies.

We rely on intellectual property rights to protect technologies, inventions, and improvements that we believe are important to maintain our product's competition. To protect our intellectual property rights, our standard employment contracts include confidentiality clauses restraining our employees from disclosing trade secrets to any third party. We may also enter into additional confidentiality agreements with certain R&D personnel, which provide that all relevant intellectual property rights developed by our R&D personnel during their employment with us should become our intellectual property and are treated as trade secrets. We also follow procedures, such as patent searches, to minimize the risk of infringing on the intellectual property rights of others.

As of the Latest Practicable Date, we were not aware of any infringement of our intellectual property rights, or any disputes or claims against us in relation to the infringement of intellectual property rights of third parties, that were pending or threatened and would, individually or in the aggregate, have a material adverse impact on our business, financial condition or results of operations.

DATA PRIVACY AND PROTECTION

We receive, collect and store de-identified codes of subjects enrolled in our clinical studies and the corresponding clinical data and we process, analyze and transfer these data within the scope of the relevant clinical studies and drug registration. In line with industry practices, some of our studies are based on published research data, which may contain de-identified individual cases. In addition, we receive, collect and store personal data from post-marketing surveillance and real-world studies, such as spontaneously reported adverse drug reactions, and submit drug safety reports as required by regulatory authorities. As such, we are bound by the relevant data privacy and protection laws and regulations that apply to our data activities in the jurisdictions where we operate and conduct our clinical studies. For instance, any transfer or processing of personal and clinical data from our clinical studies across jurisdictions, including regulatory submissions, is subject to applicable local data privacy and protection laws and regulations.

Our data privacy and protection policy includes comprehensive measures and procedures to safeguard the security and confidentiality of data we access in our operations. We collect and retain data only as permitted by law and as necessary for our clinical studies. Personal data of subjects enrolled in our clinical studies and the corresponding clinical data are collected and processed in accordance with the informed consent agreed upon by the subjects. We require our R&D partners for clinical studies in overseas markets to have data protection clauses in the agreements with us, making them responsible for safeguarding personal and clinical data handled by them. We also require employees involved in clinical studies to comply with confidentiality requirements, and our policies mandate training for our employees in the protection of personal information.

Furthermore, together with our R&D partners, we have implemented controls to govern the transfer or processing of all personal and clinical data. We have established policies and protocols to ensure compliance with data security and privacy protection requirements for the cross-border transfer of clinical data, and to ensure that the applicable filings for the export or transfer of personal data, including human genetic resources, are made with the competent government authorities in accordance with applicable laws and regulations.

During the Track Record Period and up to the Latest Practicable Date, to the best of our knowledge, we had not encountered any material data breaches or personal information leaks. Our Directors confirm that, as of the Latest Practicable Date, we were not subject to any material claims, lawsuits, penalties or administrative actions relating to non-compliance with applicable laws and regulations for data privacy and protection.

AWARDS AND RECOGNITIONS

The following table highlights notable awards and recognitions that we have received as of the Latest Practicable Date:

Year	Awards and Recognitions	Grantor
2021 to 2024	China's Top 10 Innovative BigPharma Companies (中國BigPharma創新力Top 10排行榜)	Menet
2019 to 2024	Global Top 50 Pharmaceutical Companies by Pharma Exec	Pharm Exec
2019 to 2024	Top 100 Chinese Chemical & Pharmaceutical Companies (中國化藥企業Top 100排行榜)	Menet
2018 to 2024	Among the top on the Ranking of Comprehensive Pharmaceutical R&D Capabilities in China (中國藥品研發綜合實力排行榜)	China Pharmaceutical Development Innovation Summit (中國醫藥研發創新峰會)
2013 to 2024	Among the top of R&D-driven Pharmaceutical Companies in China (中國醫藥研發產品線最佳工業企業)	China National Pharmaceutical Industry Information Center (醫藥工業信息中心)
2024	8th among the Top 25 Global Pharma Companies by Pipeline Size	Citeline
2024	Top 10 in the Global Pharmaceutical Invention Index and Top 15 in the Global Pharmaceutical Innovation Index	IDEA Pharma
2016, 2017 and 2024	State Science and Technology Progress Award (Second Prize)	The State Council
2023	Hurun Global 500 list	Hurun Research Institute
2021 and 2022	China Patent Silver Award	China National Intellectual Property Administration
2016	China Patent Excellence Award	China National Intellectual Property Administration

COMPETITION

China's pharmaceutical market is highly competitive, characterized by a number of large domestic and multinational pharmaceutical companies, as well as some smaller emerging pharmaceutical and biotechnology companies. We face competition from these companies in various aspects including brand recognition, R&D capabilities, marketing activities, sales network, product efficacy and safety, reliability, and price. Our products primarily compete with those indicated for similar conditions as our products on the basis of efficacy, price, brand recognition, and general market acceptance by medical professionals and hospitals. Our competitors may possess greater financial and R&D resources than us, and they may choose to focus these resources on developing, manufacturing, importing, and marketing substitute products in our targeted therapeutic areas. Our competitors may also have more extensive sales and marketing coverage and might be able to reach a broader market.

We believe that our competitive edge lies in our differentiated innovative product portfolio and pipeline, industry-leading technology platforms, global-standard manufacturing system, robust commercialization capabilities, increasing global presence, as well as visionary management and leadership. Our ability to stay competitive and continue our success will depend on our ability to accelerate our global expansion by addressing immense unmet medical needs worldwide; further bolster our R&D capabilities to develop more differentiated, high-quality therapeutics to the global market; further strengthen our manufacturing capabilities supported by global-standard quality system; further enhance our commercialization capabilities in China and overseas markets; and recruit and retain top-notch talent to fuel our innovation and global expansion.

LAND AND PROPERTIES

We do not engage in any property activities as defined in Rule 5.01 of the Listing Rules. The total carrying amounts of our property interests comprising buildings and construction in progress accounted for 8.8% of our total assets as of September 30, 2024, and, consequently, no single property interest had a carrying value exceeding 15% of our total assets. Accordingly, we are not required by Chapter 5 of the Listing Rules to value or include in this document any valuation report of our property interests, and, pursuant to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance and paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Owned Properties

As of September 30, 2024, we owned and/or occupied 18 parcels of land in China (with an aggregate site area of approximately 1,296.2 thousand square meters) and 76 properties in China (with an aggregate gross floor area (GFA) of approximately 660.1 thousand square meters) that we consider as our major properties. Our major properties refer to properties that are currently used in our production or R&D activities, or are relatively large (i.e., with a GFA of at least 1,000 square meters) and used as office premises, dormitories or other ancillary facilities.

We are preparing applications to complete the as-built acceptance filings to obtain the building ownership certificates for certain major properties, including those used for our production or R&D activities and those for other purposes. In addition, we have used a major property mainly as office premises while the land is designated mainly for scientific research and design use. We have not been subject to any penalty nor received any rectification requirement from government authorities for these properties. For the properties related to our production or R&D activities not having completed the as-built acceptance filings and the property used inconsistent with its permitted use, our PRC Legal Advisor has consulted with competent government authorities, which confirmed that they would not impose any penalty on us and that we could continue to use these properties under current circumstances. Based on these confirmations, our PRC Legal Advisor is of the view that the risk for the relevant government authorities to impose any penalty on us or require us to cease our use of these properties under current circumstances is remote. On the other hand, for the properties not used for our production or R&D activities, they are immaterial to our business operations. Separately, we have used a property on a parcel of allocated land for production purposes. See "Risk Factors—Risks Related to Doing Business in the Jurisdictions Where We Operate—We are subject to risks relating to some of the properties we use" for more details on this property. Based on applicable government policies, our PRC Legal Advisor is of the view that the risk for us to be required to cease our use of this property under current circumstances is remote.

As of the Latest Practicable Date, we were not aware of any actual or contemplated actions, claims or investigations by any relevant government authorities or third parties against us with respect to the above matters. On this basis and having considered relevant government authorities' confirmations and our PRC Legal Advisor's advice, we believe that the above matters will not materially affect our business and results of operations.

Properties Under Construction

As of September 30, 2024, we had nine projects of properties under construction in China. These properties are expected to be used primarily as production and R&D facilities and office premises.

Leased Properties

As of September 30, 2024, we leased 25 major properties in China, with an aggregate GFA of 105.1 thousand square meters, which are used primarily as our production or R&D facilities, office premises, dormitories, or ancillary facilities.

Among the above leased properties, we have used one leased property as our office premises while the land is designated for scientific research and education use. Under PRC laws and regulations, for this property, the landlord may be subject to fines by relevant government authorities, and we may be unable to continue our use of the property. However, this leased property used as our office premises is immaterial to our business operations.

Lease agreements are required by applicable PRC laws and regulations to be registered with local land authorities. As of the Latest Practicable Date, we had not completed such registration for certain lease agreements for the leased properties that we held as of September 30, 2024. Although failure to do so does not in itself invalidate the leases, we may be subject to fines if we fail to rectify such non-compliance within the prescribed timeframe after receiving notice from the relevant PRC government authorities. See "Risk Factors—Risks Related to Doing Business in the Jurisdictions Where We Operate—We are subject to risks relating to some of the properties we use" for more details. We have not been subject to any penalty nor received any rectification notice from government authorities in respect of lease registrations. As advised by our PRC Legal Advisor, if the lease registration is completed within the prescribed time limit ordered by competent government authorities, the risk of government authorities to impose any penalty on us with respect to these leased properties is remote.

As of the Latest Practicable Date, we were not aware of any actual or contemplated actions, claims or investigations by any relevant government authorities or third parties against us with respect to the above matters. On this basis and having considered our PRC Legal Advisor's advice, we believe that the above matters will not, individually or in the aggregate, materially affect our business and results of operations.

INSURANCE

We maintain property insurance covering physical damages to, or loss of, our facilities, equipment, office furniture and inventory, and clinical trial insurance covering us against liabilities in the event of injury to any trial subjects caused by serious adverse events in our clinical trials. We are not required under PRC laws and regulations to, and we generally do not, purchase any employer's liability insurance or key person insurance.

During the Track Record Period and up to the Latest Practicable Date, we did not submit any material insurance claims, nor did we experience any material difficulties in renewing our insurance policies. Our Directors believe that our insurance coverage is adequate and in line with industry norm. However, the risks related to our business and operations may not be fully

covered by insurance. For details, please see "Risk Factors—Risks Related to Our Business and Industry—Our insurance coverage is limited. If we experience uninsured losses, it could adversely affect our financial condition and results of operations."

HEALTH, SAFETY, SOCIAL AND ENVIRONMENTAL MATTERS

Occupational Health and Safety

We are subject to various PRC laws and regulations with respect to occupational health and safety. We are committed to complying with PRC regulatory requirements to prevent and reduce hazards and risks associated with our operations and ensuring the health and safety of our employees as well as the surrounding communities. We have policies in place for various aspects of our operations, including R&D, sales and marketing, and production, as well as guidelines to ensure the safety of our operations and work environment. We also conduct regular checks on occupational hazards in accordance with applicable laws and regulations. In addition, we organize regular training, competitions, emergency drills, and other activities about occupational safety knowledge to enhance our employees' safety awareness and create a corporate culture that values health and safety.

As of the Latest Practicable Date, our operations had not experienced any material incidents, and we were not aware of any claims for material personal or property damage related to health and occupational safety.

Environmental Protection

Our business is subject to national, provincial and local environmental laws, and regulations in China and other jurisdictions where we operate. The relevant laws and regulations applicable to pharmaceutical production in China include those governing air emissions, water discharge, solid waste, sewage and exhaust fumes, and hazardous substances and waste. For more details, see "Regulatory Overview—Overview of Laws and Regulations in the PRC—Regulations in Relation to Environmental Protection and Fire Safety." We actively monitor and ensure compliance with the applicable environmental laws and regulations in China. As of the Latest Practicable Date, we had complied with all applicable laws and regulations relating to environmental requirements in all material respects. Our costs for compliance with the applicable environmental regulations were immaterial during the Track Record Period. We do not expect there to be substantial changes to our costs for compliance with the applicable environmental regulations in the near future.

The main pollutants generated during our production process include wastewater, waste gas and hazardous waste. We diligently monitor our energy and water consumption, take proactive measures to conserve energy, and ensure the thorough utilization of resources and materials. We also regularly carry out rigorous internal and external environmental monitoring. In addition, we engage independent third-party certification organizations to conduct audit on our environmental management systems to evaluate their effectiveness.

We continuously promote emission and consumption reductions by setting energy-saving targets and adopting energy and water conservation technologies. Our environmental, health and safety protection measures mainly include:

- establishing a standardized, science-based, and rational environmental management system;
- regularly conducting internal and external environmental monitoring and audit to ensure our compliance with applicable environmental standards and mitigate the environmental impact of our operations;
- implementing effective environmental emergency response plans and on-site management; and
- providing regular training sessions for our employees to enhance their environmental awareness.

Pollutant Emission

In 2022, 2023 and the nine months ended September 30, 2024, based on our best estimates, our greenhouse gas emissions were approximately 203,512.9 tons, 208,280.1 tons, and 204,970.7 tons and our hazardous waste generated was approximately 14,032.2 tons, 18,493.8 tons and 13,532.0 tons, respectively.

As our business expands, we plan to implement policies and practices to manage the discharge of various types of emissions, pollutants, and wastes. We have set traceable targets to manage our waste recycling levels. To achieve this goal, we have allocated environmental targets and responsibilities to each department, enabling continuous monitoring of progress of environmental protection with the support of our multi-tiered environmental management structure.

For solid waste, we follow the principle of "Reduce, Reuse and Recycle" in pursuit of waste reduction and resource utilization efficiency. For hazardous waste, we have developed special emergency response plans to mitigate the associated safety risks. We have also engaged qualified third-party service providers to process our hazardous wastes and set up a special temporary storage room for hazardous waste in accordance with relevant regulations.

To reduce carbon emissions, we are transitioning to clean energy by expanding the use of renewable resources in our production and operations and optimizing our energy mix to reduce carbon emissions. In addition, we have implemented targeted treatment measures for exhaust gases from our manufacturing workshops and laboratories to ensure compliance with applicable regulatory standards after effective treatment.

Resource Consumption

In 2022, 2023 and the nine months ended September 30, 2024, based on our best estimates, we consumed approximately 199.5 million kWh, 212.2 million kWh, and 206.8 million kWh of electricity and approximately 4,212,084 tons, 3,859,973 tons, and 3,540,652 tons of water, respectively.

We are committed to expanding our business in a sustainable manner, taking into account our forecasted growth and implementation of energy-saving measures and innovations. We diligently monitor our energy consumption, take proactive measures to conserve energy, and ensure thorough utilization of resources and materials.

In terms of energy consumption management, we have implemented a robust energy management system, establishing tailored energy consumption targets for energy efficiency and emission reduction in line with our operational and developmental needs. To achieve these targets, we have implemented several energy-saving measures to drive efficiency improvements, such as the introduction of energy-saving equipment and renovations.

Through stringent water resource management systems and policies, we aim to curtail water consumption across all aspects of our production and operations, thereby enhancing the efficiency of our water utilization. We have implemented upgraded water-saving technologies in processes with high water consumption. In addition, we have established internal policies and regulations governing wastewater management, detailing standardized treatment processes and requirements. We have also conducted projects such as reverse osmosis concentrated water recovery, dry pump replacement, and steam condensate recycling.

Climate Change

Our ESG policy places a strong emphasis on addressing the impacts of climate change. Increased frequency of meteorological disasters such as strong winds, cyclones, floods, and torrential rains can lead to significant disruptions, including power and water supply interruptions and urban waterlogging, which could impact our operational stability.

Recognizing the significant impact that climate change can have on our long-term business sustainability, we incorporate climate-related issues into our governance and decision-making processes. We proactively identify and mitigate climate-related risks, while tailoring our strategies to enhance our adaptability. For instance, we have improved our emergency response systems and contingency plans to better manage the effects of extreme weather conditions, thereby enhancing our ability to mitigate potential operational disruptions, resource shortages, and safety risks during such events. Looking ahead, we plan to monitor evolving climate-related risks, and aim to enhance our overall resilience to climate challenges by strengthening our climate change management system, leveraging green energy, and promoting a responsible supply chain.

Governance and Oversight of ESG Matters

Our corporate governance framework is designed to facilitate sound decision-making through systems and policies aligned with our corporate values and best industry practice. We have established four specialized board committees—strategy, audit, remuneration and evaluation, and nomination—each providing strategic guidance to our Board. In particular, our strategy committee serves as our ESG management body, responsible for the formulation and assessment of our ESG strategies and goals. This committee oversees the implementation of our environmental policies, tracks the progress of our environmental objectives, and reports on environmental management issues to our Board. In addition, our supervisory board exercises active oversight to prevent any irregularities that could impact our decision-making.

Moreover, we have integrated ESG into our employee management practices to ensure that our employees contribute to our sustainability goals. For instance, to effectively manage ESG issues, mitigate risks, and achieve sustainable growth, we tie executive and managerial compensation to performance metrics related to safety, environment protection, quality, and compliance.

We embrace diversity in experience and background. We believe fostering diversity and inclusion are critical for business success. We have female members on our Board, board of Supervisors, and our senior management team. Our Directors, Supervisors and senior management also span multiple age brackets. Besides, we have a dedicated policy on diversity and inclusion for our workforce. We require all employees to complete a training program and pass an assessment to ensure they understand our policies concerning diversity and inclusion. Our policies are designed to ensure that all employees, current and prospective, experience equal treatment, while discrimination against employees or job applicants is strictly prohibited. Additionally, we set specific diversity goals and regularly monitor key performance indicators to ensure ongoing improvement.

To identify ESG concerns and risks that are critical to both our Company and the relevant stakeholders, we engage in ongoing, multi-channel communication with them. This includes regular engagement with government agencies, investors, customers, employees, suppliers, and the community. Through surveys, interviews, and analysis of external market trends, we assess stakeholder priorities and identify material ESG issues. Key ESG issues that we have identified include regulatory compliance, climate change mitigation, and greenhouse gas emission. By continuously assessing and managing the social, economic and environmental impacts of our operations, we promote shared growth with stakeholders.

In recognition of our ESG performance, our MSCI ESG rating, which measures our resilience to long-term, financially relevant ESG risks, was "A" for two consecutive years since 2023.

Social Responsibility

Fulfilling social responsibility and giving back to society are our core value. We are committed to promoting people's health and making medical services more accessible to people all over the world. As such, we constantly refine and improve our product marketing plans and pricing policies to increase drug accessibility and affordability to benefit more people from different regions.

We actively participate in social welfare and charity activities. Holding a longstanding commitment to improving the lives of patients with chronic diseases such as high blood pressure, arthritis, and diabetes, we have developed long-term drug donation plans for underdeveloped regions in China. In July 2023, we donated drugs worth RMB100,000 for chronic disease treatment to Baokang County, a county in Xiangyang, Hubei Province, China. We also established various charity funds and organized charitable donations to institutions such as schools. For example, in November 2023, to support the development of education in rural areas and facilitate rural revitalization, our representatives visited the Central Comprehensive Primary School of Fengyuan village in Yunnan, China, and we donated school supplies including computers, winter school uniforms, and sports equipment to the school. In addition, after natural disasters such as earthquakes, we were consistently among the first responders to offer various forms of aid including medicines, supplies, and financial support to the affected areas. For example, in December 2023, after the earthquake in Gansu, China, we donated RMB1 million and first-aid medicine worth over RMB1 million to the affected areas. We are committed to continuing to participate in charitable events to contribute to public health construction.

EMPLOYEES

As of September 30, 2024, we had 20,298 full-time employees, with a substantial majority of our employees based in China. The following table sets forth a breakdown of our full-time employees by function as of September 30, 2024:

Function	Number of Employees	% of Total
Sales and marketing	9,027	44.4%
R&D	5,538	27.3%
Manufacturing	3,855	19.0%
General administration	1,878	9.3%
Total	**20,298**	**100.0%**

Our ability to attract, retain and motivate qualified personnel is crucial to our success. We offer remuneration packages to our employees that include a base salary and a variable portion linked to individual performance and overall company results, aiming to fully engage our employees and incentivize talent attraction, retention, and motivation. Additionally, to further incentivize our employees, we have implemented share-based awards and other incentives to further enhance employee engagement. Moreover, we provide a variety of benefits to meet the diverse needs of our workforce, including accessible facilities for disabled employees, lactation rooms for nursing mothers, specialized health screenings, regular health check-ups, medical insurance, team-building activities, hobby clubs, holiday events and gifts, and transportation and meal subsidies.

Recognizing the importance of continuous learning and professional development, we offer a robust training program designed to enhance the professional skills of our employees. This includes (i) general training in areas such as business ethics, anti-corruption, marketing practices, occupational health and safety, office software operations, and communication skills; (ii) specialized training tailored to individual job requirements, providing learning opportunities and customized courses for different functional departments; and (iii) leadership training for different levels of employees, featuring a detailed learning roadmap, online courses, and sessions with professional leadership coaches through systematic training and practical projects to equip employees with necessary leadership knowledge and skills at each stage. Furthermore, to support the growth and development of our employees, we allocate specific funds for them to participate in external training programs, professional qualifications, and certifications. Additionally, we encourage employees to pursue on-the-job degree education relevant to business needs and professional directions.

We believe we have maintained good relationships with our employees. As of the Latest Practicable Date, our employees were represented by a labor union, and we did not experience any strikes or any labor disputes with our employees which have had or are likely to have a material effect on our business.

LEGAL AND COMPLIANCE

Licenses, Permits and Certificates

As of the Latest Practicable Date, we had obtained all material licenses, permits, approvals, and certificates required for our operations in the PRC and all of these material licenses, permits and approvals were valid and remained in effect.

The following table sets forth the major licenses, permits, approvals, and certificates for our business operations as of the Latest Practicable Date (apart from those pertaining to general business requirements):

License/Permit/ Certificate	Holder	Issuing Authority	Expiration Date
Drug Manufacturing License (藥品生產許可證)	The Company	Jiangsu Provincial Drug Administration	September 20, 2025
Drug Manufacturing License (藥品生產許可證)	Shanghai Hengrui Pharmaceuticals Co., Ltd. (上海恒瑞醫藥有限公司)	Shanghai Municipal Drug Administration	December 31, 2025
Drug Manufacturing License (藥品生產許可證)	Shanghai Shengdi Pharmaceutical Co., Ltd. (上海盛迪醫藥有限公司)	Shanghai Municipal Drug Administration	October 14, 2026
Drug Manufacturing License (藥品生產許可證)	Suzhou Suncadia Biopharmaceuticals Co., Ltd. (蘇州盛迪亞生物醫藥有限公司)	Jiangsu Municipal Drug Administration	September 20, 2025
Drug Manufacturing License (藥品生產許可證)	Chengdu Xinyue Pharmaceutical Co., Ltd. (成都新越醫藥有限公司)	Sichuan Provincial Drug Administration	October 22, 2025
Drug Manufacturing License (藥品生產許可證)	Shandong Shengdi Pharmaceutical Co., Ltd. (山東盛迪醫藥有限公司)	Shandong Provincial Drug Administration	October 9, 2025
Drug Manufacturing License (藥品生產許可證)	Fujian Shengdi Pharmaceutical Co., Ltd. (福建盛迪醫藥有限公司)	Fujian Provincial Drug Administration	August 8, 2029
Drug Manufacturing License (藥品生產許可證)	Guangdong Hengrui Pharmaceutical Co., Ltd. (廣東恒瑞醫藥有限公司)	Guangdong Provincial Drug Administration	May 25, 2028
Drug Manufacturing License (藥品生產許可證)	Chengdu Suncadia Medicine Co., Ltd. (成都盛迪醫藥有限公司)	Sichuan Provincial Drug Administration	November 2, 2025

License/Permit/ Certificate	Holder	Issuing Authority	Expiration Date
Radioactive Drug Manufacturing License (放射性藥品生產許可證)	Tianjin Hengrui Pharmaceutical Co., Ltd. (天津恒瑞醫藥有限公司)	Tianjin Municipal Drug Administration	December 24, 2028
Drug Supply Permit (藥品經營許可證) . .	Jiangsu Kexin Pharmaceutical Sales Co., Ltd. (江蘇科信醫藥銷售有限公司)	Jiangsu Provincial Drug Administration	May 8, 2025

We monitor the validity status of, and make timely applications for the renewal of, relevant licenses, permits, approvals, and certificates prior to the expiration date. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material difficulty in obtaining or renewing the required licenses, permits, approvals, and certificates for our business operations. We do not expect there to be any material legal impediment in renewing these licenses, permits, approvals and certificates as they expire in future as long as we are in compliance with applicable laws, regulations, and rules.

Legal Proceedings

We have been, and may from time to time be, subject to litigation, arbitration or other legal proceedings, investigations and claims arising in the ordinary course of our business. As of the Latest Practicable Date, we had not been a party to any legal, arbitral, or administrative proceedings, nor were we aware of any pending or threatened legal, arbitral, or administrative proceedings against us or our Directors, that could, individually or in the aggregate, have a material adverse effect on our business, financial condition or results of operations.

Compliance

During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any noncompliance incidents that could, individually or in the aggregate, have a material adverse effect on our business, financial condition, and results of operations.

RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management

We are committed to establishing and maintaining a robust risk management system. Our comprehensive risk management policies address potential risks that may arise in various aspects of our business, including R&D, clinical trials, production, procurement, sale activities, inventory management, financial reporting, information system management, human resources, legal and compliance matters, and corporate governance.

Our key risk management objectives include identifying and analyzing various types of risks and establishing corresponding mitigation strategies and policies. We regularly review these strategies and policies in response to regulatory updates, market conditions, and changes in our operations, ensuring that they remain relevant and effective. Applying these strategies and policies, we have put in place a risk management system to identify, assess, monitor, and mitigate various operational, financial, and legal risks. This system encompasses dedicated policies, guidelines, notices, code of conduct, and employee handbooks on an array of topics.

As part of our risk management system, our audit department leads our daily risk management work and is supported by our various business units and departments. The audit department regularly reports to our Board on risk management related matters. Its responsibilities also include setting the functions and responsibilities of our relevant business units and departments in risk management and working with our business units and departments to collect information for risk analysis and assessment. As an important part of our risk identification process, each relevant business unit and department collects information on risks related to our business, taking into consideration our strategic goals and annual business plans. The audit department then reviews this information to formulate targeted risk mitigation strategies and measures.

Internal Control

We have developed internal control policies and guidelines that specify standards for identifying internal control deficiencies, conducting internal audits, and managing follow-up actions. In line with these policies and guidelines, we conduct regular internal audits across all major aspects of our operations, and our Audit Committee oversees our internal controls and evaluates their effectiveness. Additionally, we have implemented a range of internal control measures addressing various areas including conflicts of interest, insider trading, confidentiality control, and business ethics for our employees, business partners, or other stakeholders. These measures aim to ensure comprehensive governance and ethical business conduct.

To ensure regulatory compliance, we have implemented anti-money laundering, anti-corruption, and anti-bribery related policies and procedures. We provide multiple channels for our employees to report issues, complaints, or suspicions of illegal activities, which include designated reporting emails or hotlines and direct contacts within our compliance office. In addition, to comply with applicable sanctions and export controls related regulations, we have formulated a dedicated compliance policy that sets out standard operating procedures for risk screening, identification, reporting, and assessment, compliance governance organization, and an inquiry and reporting mechanism. We have integrated this policy into our business processes, particularly in new business initiation and customer engagements.

With strong emphasis on compliance, we have established a three-tier compliance management structure under the Board's leadership. Our compliance management committee, led by our Directors and senior executives, oversees our compliance strategy and major policy implementations. The compliance office, as our central compliance department, coordinates and monitors our compliance efforts and provides guidance and oversight to all of our departments and subsidiaries. The compliance departments at all levels within our Group are responsible for the routine management of compliance within their respective areas, to ensure adherence to applicable policies and regulations.

Maintaining robust corporate governance is a primary objective of our internal controls. To this end, we have adopted policies to comply with the listing rules of the Shanghai Stock Exchange and the Hong Kong Stock Exchange, which cover aspects such as risk management, connected transactions, financial reporting, and information disclosure. We also provide periodic compliance training sessions to our senior management and employees, including training on the Listing Rules for our Directors and senior management, and offer targeted compliance training to our employees, thereby promoting sound decision-making and adherence to regulatory requirements.

You should read the following discussion and analysis in conjunction with our audited consolidated financial information, included in the Accountants' Report in Appendix I to this document, together with the accompanying notes. Our consolidated financial information has been prepared in accordance with International Financial Reporting Standards ("IFRSs").

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on our 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, our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors. In evaluating our business, you should carefully consider the information provided in the section headed "Risk Factors" in this document.

OVERVIEW

We are a leading global innovative pharmaceutical company rooted in China. We have been ranked as one of the global Top 50 pharmaceutical companies by Pharm Exec for six consecutive years since 2019. We were also ranked 8th on the list of "Top 25 Global Pharma Companies by Pipeline Size" published by Citeline in 2024. Furthermore, as a strong validation of our innovation results, we had a leading position among Chinese pharmaceutical companies, in terms of revenue from NME drugs in 2023 and the number of NME drug candidates in clinical or later stages of development as of the Latest Practicable Date, according to Frost & Sullivan. We strategically focus on comprehensive therapeutic areas with significant unmet medical needs and growth potential. These mainly include: (i) oncology, (ii) metabolic and cardiovascular diseases, (iii) immunological and respiratory diseases, and (iv) neuroscience.

As a result of continuous innovation, we achieved notable financial performance during the Track Record Period. Our healthy profitability and strong cash flows enable us to continue investing in R&D activities to propel long-term sustainable growth, thus supporting a virtuous cycle. We recorded revenue of RMB21.3 billion, RMB22.8 billion, and RMB20.2 billion in 2022, 2023, and the nine months ended September 30, 2024, respectively. Moreover, sales of innovative drugs have become a major source of our revenue. Our revenue from sales of innovative drugs as a percentage of our total revenue increased from 38.1% in 2022 to 43.4% in 2023 and further to 47.7% in the nine months ended September 30, 2024. In addition, our net profit margin increased from 17.9% in 2022 to 18.7% in 2023 and further to 22.9% in the nine months ended September 30, 2024. Furthermore, we generated net operating cash inflows of RMB1.3 billion, RMB7.6 billion, and RMB4.6 billion in these respective periods.

BASIS OF PREPARATION

Our historical financial information has been prepared in accordance with IFRSs, which comprise all standards and interpretations approved by the International Accounting Standards Board. We have early adopted all IFRSs effective for the accounting period commencing from January 1, 2024, together with the relevant transitional provisions, in the preparation of our historical financial information throughout the Track Record Period. Our historical financial information has been prepared under the historical cost convention except for certain financial instruments which have been measured at fair value. Our historical financial statements are presented in Renminbi and all values are rounded to the nearest thousand except otherwise indicated.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been and will continue to be affected by a number of factors, including the following significant factors:

Growth of the Global and Chinese Pharmaceutical Markets and Our Major Therapeutic Areas

We are a leading global innovative pharmaceutical company rooted in China. We believe that the overall growth of the global and Chinese pharmaceutical markets, particularly in the therapeutic areas we focus on, has and will continue to have a significant impact on our revenue growth. Our major therapeutic areas include: (i) oncology, (ii) metabolic and cardiovascular diseases, (iii) immunological and respiratory diseases, and (iv) neuroscience.

The above therapeutic areas present significant unmet medical needs and growth potential. In 2023, the aggregate pharmaceutical market of these therapeutic areas accounted for 57.4% and 50.3%, respectively, of the overall global and Chinese pharmaceutical markets according to Frost & Sullivan. Looking forward, for the period from 2023 to 2028, the global and Chinese pharmaceutical markets of these major therapeutic areas are expected to grow at CAGRs of 6.4% and 9.8%, respectively, which are higher than the overall global and Chinese pharmaceutical markets' expected CAGRs of 5.7% and 7.7%, respectively, according to the same source. Please see the section headed "Industry Overview" for more information on the recent trends and drivers for the global and Chinese pharmaceutical markets and our major therapeutic areas.

We are dedicated to the evolution of treatment modalities, improvements of monotherapies, and the development of effective combination therapies to satisfy the significant unmet medical needs. We have also been expanding our global footprint quickly in recent years. As such, we believe that we are well positioned to capitalize on the expected growth of the overall pharmaceutical markets in China and globally, and in particular, the growth of our major therapeutic areas.

Our Ability to Continuously Replenish and Strengthen Our Product Portfolio

Our ability to continuously develop and commercialize new drugs and strengthen our product portfolio is crucial to sustain our growth momentum and achieve long-term success. As of the Latest Practicable Date, we had established a large, diverse portfolio of over 110 commercialized drugs. Our robust portfolio spans broad therapeutic areas such as oncology, metabolic and cardiovascular diseases, immunological and respiratory diseases, and neuroscience, which enables us to withstand market and regulatory changes and maintain a strong financial growth trajectory. In recent years, we have focused on innovative drugs as a main growth driver. We believe that innovative drugs generally command higher margins and advantages in rapid market penetration and their patent protection offers a long exclusivity period. Our revenue from sales of innovative drugs as a percentage of our total revenue increased from 38.1% in 2022 to 43.4% in 2023 and further to 47.7% in the nine months ended September 30, 2024. We are also continuously replenishing our innovative product portfolio by leveraging our industry-leading technology platforms and end-to-end clinical development capabilities. As of the Latest Practicable Date, we had a pipeline of over 90 NME drug candidates in clinical or later stages of development.

As drug candidates come out of the pipeline, our results of operations will depend on our ability to successfully commercialize these products. To enhance market acceptance and boost sales volumes of our commercialized drugs, we plan to strengthen our engagement with patients, physicians, leading research institutions, key opinion leaders and scholars to promote our differentiated innovative products. However, our ability to successfully develop, commercialize, and increase the market penetration for our new innovative drugs is subject to a number of risks and uncertainties, many of which are beyond our control.

Our Ability to Expand in the Global Pharmaceutical Market

We have been, and will continue, expanding our global footprint to unlock and maximize the potential of our product matrix and technology platforms and address immense unmet medical needs worldwide. Since 2018, we have carried out 12 out-licensing transactions with global partners, involving 15 molecular entities with an aggregate deal value of approximately US$12 billion. Relatedly, our licensing revenue increased substantially from RMB95.1 million in the nine months ended September 30, 2023 to RMB1,454.7 million in the same period of 2024. In addition, compared to product sales, given its relatively high gross profit margin, increases in our out-sourcing related licensing revenue can help improve our overall profitability. Leveraging our strong pipeline of innovative drugs, particularly those with first-in-class or best-in-class potential, we will continue to explore out-licensing opportunities, and other international collaborations to augment our commercial success globally. At the same time, we will continue to increase the international recognition and accessibility of our drugs. As of the Latest Practicable Date, we had initiated over 20 overseas clinical trials, including in the U.S., Europe, Australia, Japan, and South Korea, and had commercialized our products in over 40 countries.

In addition, we will boost our brand recognition in the global pharmaceutical community through enhanced branding initiatives. We also intend to selectively acquire or invest in overseas pharmaceutical or biotechnology companies, including those with attractive drug assets or strong R&D, manufacturing, or commercialization capabilities.

Our Ability to Enter Medical Insurance Programs and Compete in Pharmaceutical Procurement by Public Medical Institutions in China

The market adoption and sales volume of our products are affected by their inclusion in government-sponsored medical insurance programs. Under China's public medical insurance programs, patients are entitled to reimbursement for all or a portion of the cost of pharmaceutical products listed in the NRDL, the provincial medical insurance catalogs, or critical illness medical insurance catalogs at provincial or local levels, depending on the particular program applicable to them. Pharmaceutical products included in these programs are subject to relevant pricing regulation. However, the inclusion of a pharmaceutical product in national, provincial, or other government-sponsored medical insurance programs typically can significantly increase its demand and sales volume. As of the Latest Practicable Date, a vast majority of our commercialized NME drugs had been included in the NRDL. Overall, the benefits of having our drugs included in China's national and provincial medical insurance programs significantly outweighed the countervailing factors during the Track Record Period. We believe these benefits will continue to support our business expansion in the foreseeable future.

Public medical institutions in China implement a centralized tender process for their procurement of pharmaceuticals listed in medical insurance catalogs or those consumed in large volumes and commonly prescribed for clinical uses. Bids submitted through this process are generally considered based on factors including price competitiveness, clinical effectiveness, product quality, and the qualifications and reputation of the manufacturer. If we win the bids, our relevant drugs will be sold to public medical institutions at the bid prices, which are the primary determinant of prices at which we sell our products to our distributors. This process could result in downward pricing pressure on us. In addition, some of our commercialized drugs sold to public medical institutions in China are also affected by the VBP scheme. The VBP scheme aims to achieve lower prices for pharmaceuticals with mature, high-volume clinical usage through sufficient competition in the bidding process for large-volume procurement. While the VBP scheme sometimes allows us to sell our products in large volumes, it generally places downward pressure on the prices at which we sell our products to our distributors. Our strategies focus on differentiating our products from those of our competitors leveraging the market recognition of our products and their clinical effectiveness, instead of competing solely on pricing. Therefore, our sales volume and profitability are affected by our success in this strategy while pricing our bids, mainly for our generic products, in a manner that enables us to succeed in the VBP scheme. For details, see "Risk Factors—Risks Related to Our Business and Industry—Certain of our products are subject to pricing regulation or other policies that are intended to reduce healthcare costs."

Our Ability to Effectively Control Costs and Expenses

Our profitability has benefitted from our ability to effectively control costs and expenses. With over 50 years of operational experience and extensive industry expertise, we have established end-to-end in-house capabilities from R&D to manufacturing, marketing, and sales, which enable us to cost-effectively develop and commercialize pharmaceutical products. We are also committed to digitalizing our business operations and automating our manufacturing processes to improve operational efficiency. Our cost of sales consists of material costs, staff costs, depreciation and amortization, utilities and others. Due in part to our cost control efforts, our gross profit margin increase from 83.6% in 2022 to 84.6% in 2023, and further to 86.0% in the nine months ended September 30, 2024.

Selling and distribution expenses are a significant component of our operating expenses. We have carefully curated our sales force into complementary functions and are continuously increasing our sales team's academic promotion capabilities to enhance our sales productivity. Selling and distribution expenses as a percentage of our total revenue decreased from 34.5% in 2022 to 33.2% in 2023 and further to 30.3% in the nine months ended September 30, 2024. We will continue to strengthen and promote the productivity of our sales and marketing team and further optimize our selling and distribution expenses.

To solidify our leadership in innovation and maintain a sustainable drug roll-out cycle, we have invested heavily in R&D. In 2022, 2023, and the nine months ended September 30, 2024, our R&D expenses as a percentage of our total revenue were 23.0%, 21.7%, and 22.5%, respectively. We carry out R&D activities in a cost-effective manner. As a result, we are able to continue investing in R&D activities to propel our long-term sustainable growth while maintaining healthy profitability.

MATERIAL ACCOUNTING POLICIES AND CRITICAL JUDGMENTS AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. Estimates and judgments are continually re-evaluated and are based on historical experience and other factors, including industry practices and expectations of future events that we believe to be reasonable under the circumstances. We did not change our assumptions or estimates during the Track Record Period and have not noticed any material errors regarding our assumptions or estimates. Under current circumstances, we do not expect that our assumptions or estimates are likely to change significantly in the future. When reviewing our consolidated financial statements, you should consider (i) our material accounting policies, (ii) the judgments and other uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions.

We set forth below some of the accounting policies that we believe are of critical importance to us or involve the most significant estimates and judgments used in the preparation of our consolidated financial statements. Our material accounting policy information and significant accounting judgments and estimates, which are important for an understanding of our financial condition and results of operations, are set forth in detail in Notes 2.3 and 3 to the Accountants' Report set out in Appendix I to this document.

Material Accounting Policies

Revenue Recognition

Revenue from contracts with customers

We recognize revenue from contracts with customers when control of goods or services is transferred to the customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, we estimate the amount of consideration to which we will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur, when the associated uncertainty with the variable consideration is subsequently resolved.

(a) Drug sales

Revenue from the drug sales is recognized at the point in time when we transfer the controls of goods at a point in time and has rights to payment from the customers upon acceptance by the customers or delivery of the products.

(b) Licensing revenue

Our licensing revenue may contain more than one performance obligation, including grants of licenses to the intellectual property rights, agreement to provide R&D services and other deliverables. As part of the accounting for these arrangements, we must develop assumptions that require judgment to determine the stand-alone selling price for each performance obligation identified in the contract. In developing the stand-alone selling price for a performance obligation, we consider competitor pricing for a similar or identical product, market awareness of and perception of the product, expected product life and current market trends. In general, the consideration allocated to each performance obligation is recognized when the respective obligation is satisfied on acceptance of a good or a service, limited to the consideration that is not constrained. Non-refundable payments received before all of the relevant criteria for revenue recognition are satisfied are recorded as contract liabilities.

Please refer to "Note 2.3 Material Accounting Policies—Revenue Recognition" to the Accountants' Report included in Appendix I to this document for further details of our revenue recognition accounting policy.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on weighted average method and, in the case of work in progress and finished goods, comprises direct materials, direct labor and an appropriate proportion of overheads. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Property, Plant and Equipment and Description

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, we recognize such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis or sum-of-the-years basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful life is as follows:

Leasehold improvements	Shorter of remaining lease terms and estimated useful lives
Buildings	20 years
Electronic devices and others	3-5 years
Machinery	10 years
Motor vehicles	4 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at the end of each reporting period during the Track Record Period.

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Research and Development Expenditure

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalized and deferred only when we can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Capitalized development costs are stated at cost less any impairment losses and are amortized using the straight-line basis over the commercial lives of the underlying products not exceeding ten years, commencing from the date when the products are put into commercial production.

Critical Accounting Judgments and Estimates

Judgments

In the process of applying our accounting policies, our management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in our historical financial information.

Research and development expenses

All research costs are charged to profit or loss as incurred. Expenditure incurred on projects to develop new products is capitalized and deferred only when we can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project, and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred. Determining the amounts of development costs to be capitalized requires the use of judgments and estimation.

Recognition of income taxes and deferred tax assets

Determining income tax provision involves judgment on the future tax treatment of certain transactions and when certain matters relating to the income taxes have not been confirmed by the local tax bureau. Our management evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatments of such transactions are reconsidered periodically to take into account all changes in tax legislation.

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Estimation Uncertainty

We have outlined below the key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period during the Track Record Period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected credit losses on trade and bills receivables

We use a provision matrix to calculate expected credit losses (ECLs) for trade and bills receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provisions matrix is initially based on our historical observed default rates. We will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At the end of each reporting period during the Track Record Period, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. Our historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on our trade and bills receivables is disclosed to Note 20 to the Accountants' Report in Appendix I to this document.

Impairment of non-financial assets (other than goodwill)

We assess whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period during the Track Record Period. Indefinite life intangible assets or intangible assets not yet available for use are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, our management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Assessment of useful lives of capitalized development costs

In assessing the estimated useful lives of capitalized development costs when the products are put into commercial production, we take into account factors such as expected life span of the underlying pharmaceutical products based on past experience or from a change in the market demand for the products. The estimation of the useful lives is based on the experience of our management.

Estimated useful lives and residual values of property, plant and equipment

Our management determines the estimated useful lives, residual values and related depreciation and amortization charges for our property, plant and equipment 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 and amortization charges where useful lives are different to that of previously estimated, 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 and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation and amortization charges in future periods.

Fair value measurement for unlisted investments

We made unlisted investments in a wide variety of companies and those investments are accounted for as financial assets at fair value through profit or loss. The fair values of those investments are determined using valuation techniques and we use our judgment to select a variety of methods and makes assumptions that are mainly based on market conditions existing at the end of each reporting period during the Track Record Period. Further details are included in Note 36 to the Accountants' Report included in Appendix I to this document. Should any of the estimates and assumptions changed, it may lead to a material change in the respective fair values of these financial assets.

In relation to the valuation of our financial assets categorized within the level 3 of fair value hierarchy, our management established the fair value of these financial assets based on assumptions that are not supported by observable market prices or rates. Our Directors carefully considered, among others, the following factors: (i) fair value measurement of our level 3 financial assets conducted by our management after reviewing the underlying transactional documents, assessing the valuation techniques and various assumptions of unobservable inputs, and evaluating whether the fair value measurement was in compliance with applicable IFRSs, and (ii) applicable assumptions, methodology and valuation techniques applied in determining the valuation of the investments. Based on the above, our Directors are of the view that the valuation of our financial assets categorized within the level 3 of fair value hierarchy is fair and reasonable, and our financial statements have been properly prepared.

Details of the fair value measurement of the level 3 financial assets, particularly the fair value hierarchy, the valuation techniques and significant unobservable inputs and the relationship of unobservable inputs to fair value are disclosed in Note 36 to our historical financial information for the Track Record Period of the Accountants' Report in Appendix I to this document.

RESULT OF OPERATIONS

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

	Year Ended December 31,				Nine Months Ended September 30,			
	2022		2023		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
					(Unaudited)			
Revenue	21,275,271	100.0	22,819,785	100.0	17,013,632	100.0	20,189,304	100.0
Cost of sales	(3,486,639)	(16.4)	(3,525,248)	(15.4)	(2,657,554)	(15.6)	(2,833,183)	(14.0)
Gross profit	**17,788,632**	**83.6**	**19,294,537**	**84.6**	**14,356,078**	**84.4**	**17,356,121**	**86.0**
Other income and gains	1,371,215	6.4	1,033,784	4.5	676,755	4.0	815,624	4.0
Selling and distribution expenses	(7,347,894)	(34.5)	(7,577,176)	(33.2)	(5,408,551)	(31.8)	(6,109,288)	(30.3)
Research and development expenses	(4,886,553)	(23.0)	(4,953,887)	(21.7)	(3,725,495)	(21.9)	(4,548,870)	(22.5)
Administrative expenses	(2,498,159)	(11.7)	(2,644,551)	(11.6)	(1,857,111)	(10.9)	(2,067,631)	(10.2)
Other expenses	(389,262)	(1.8)	(406,996)	(1.8)	(177,441)	(1.0)	(301,674)	(1.5)
Finance costs	(6,491)	(0.0)	(5,905)	(0.0)	(4,743)	(0.0)	(3,314)	(0.0)
Share of losses of associates	(62,996)	(0.3)	(72,696)	(0.3)	(47,115)	(0.4)	(54,228)	(0.3)
Profit before tax	**3,968,492**	**18.7**	**4,667,110**	**20.5**	**3,812,377**	**22.4**	**5,086,740**	**25.2**
Income tax expenses	(153,351)	(0.8)	(389,289)	(1.8)	(361,347)	(2.1)	(470,410)	(2.3)
Profit for the year/period	**3,815,141**	**17.9**	**4,277,821**	**18.7**	**3,451,030**	**20.3**	**4,616,330**	**22.9**
Attributable to:								
Owners of the parent	3,906,374	18.4	4,302,436	18.9	3,473,779	20.4	4,619,576	22.9
Non-controlling interests	(91,233)	(0.5)	(24,615)	(0.2)	(22,749)	(0.1)	(3,246)	(0.0)
	3,815,141	17.9	4,277,821	18.7	3,451,030	20.3	4,616,330	22.9

NON-IFRS MEASURE

To supplement our consolidated financial statements that are presented in accordance with IFRSs, we also use EBITDA (non-IFRS measure) as an additional financial measure, which is not required by, or presented in accordance with, IFRSs. We define EBITDA (non-IFRS measure) as profit for the period adjusted by adding back (i) finance costs, (ii) depreciation and amortization, and (iii) income tax expenses. We believe that this non-IFRS measure facilitates comparisons of operating performance from period to period by eliminating potential impacts of items which our management considers non-indicative of our operating performance.

We believe that this non-IFRS measure provides useful information to [**REDACTED**] and others in understanding and evaluating our results of operations in the same manner as it helps our management. However, our presentation of EBITDA (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRSs.

The following table sets forth a reconciliation of our EBITDA (non-IFRS measure) for the years ended December 31, 2022 and 2023 and the nine months ended September 30, 2024 to profit for the period, which is the most comparable measure prepared in accordance with IFRSs.

	Year Ended December 31,		Nine Months Ended September 30,	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Profit for the year/period	3,815,141	4,277,821	3,451,030	4,616,330
Adjustments:				
Finance costs	6,491	5,905	4,743	3,314
Depreciation and amortization	640,511	793,937	533,254	638,159
Income tax expenses	153,351	389,289	361,347	470,410
EBITDA (non-IFRS measure)	**4,615,494**	**5,466,952**	**4,350,374**	**5,728,213**

DESCRIPTION OF SELECTED COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Revenue

During the Track Record Period, we generated revenue primarily from the sale of our drugs. Our licensing revenue represents income we recognized upon fulfilling relevant performance obligations under our out-licensing agreements, which authorize third parties to develop, manufacture, and/or commercialize certain of our innovative drugs or drug candidates. We typically receive non-refundable upfront payments under these agreements and are entitled to receive milestone payments and tiered royalties based on the drugs' future net sales in specified territories. Our other revenue primarily includes revenue from rendering of commercial promotion services for certain collaboration partners and revenue from sales of active pharmaceutical ingredients.

The following table sets forth a breakdown of our revenue by source, in absolute amounts and as a percentage of our total revenue, for the periods indicated:

	Year Ended December 31,				Nine Months Ended September 30,			
	2022		2023		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
					(Unaudited)			
Drug sales	21,213,026	99.7	22,377,188	98.1	16,854,478	99.1	18,598,750	92.1
Licensing revenue	6,442	–	268,371	1.2	95,119	0.6	1,454,746	7.2
Others	55,803	0.3	174,226	0.7	64,035	0.3	135,808	0.7
Total	**21,275,271**	**100.0**	**22,819,785**	**100.0**	**17,013,632**	**100.0**	**20,189,304**	**100.0**

The following table sets forth a breakdown of our total revenue by major therapeutic areas and other sources, in absolute amounts and as a percentage of our total revenue, for the periods indicated:

	Year Ended December 31,				Nine Months Ended September 30,			
	2022		2023		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
					(Unaudited)			
Oncology	11,313,013	53.2	12,217,364	53.5	9,207,147	54.1	10,921,647	54.1
Metabolic and cardiovascular diseases	975,316	4.6	1,081,257	4.7	730,793	4.3	1,238,890	6.1
Immunological and respiratory diseases	722,316	3.4	701,219	3.1	594,690	3.5	594,465	2.9
Neuroscience	3,888,641	18.3	4,204,922	18.4	3,177,207	18.7	2,992,146	14.8
Contrast agents	2,728,731	12.8	2,742,423	12.0	1,992,549	11.7	2,068,497	10.2
Others	1,647,254	7.7	1,872,600	8.3	1,311,246	7.7	2,373,659	11.9
Total	**21,275,271**	**100.0**	**22,819,785**	**100.0**	**17,013,632**	**100.0**	**20,189,304**	**100.0**

Cost of Sales

Our cost of sales consists of: (i) raw material and packaging costs for our products, (ii) direct labor and manufacturing costs, which primarily include salaries, share-based compensation, and other benefits for employees involved in our production, depreciation and amortization related to property, plant, and equipment and right of use assets used in our production, and production related utilities, and (iii) others, which are miscellaneous overheads. The following table sets forth a breakdown of our cost of sales by nature, in absolute amounts and as a percentage of total cost of sales, for the periods indicated:

	Year Ended December 31,				Nine Months Ended September 30,			
	2022		2023		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
					(Unaudited)			
Raw material and packaging costs	2,098,956	60.2	2,183,135	61.9	1,662,107	62.5	1,622,054	57.3
Direct labor and manufacturing costs	1,360,769	39.0	1,278,581	36.3	981,990	37.0	1,145,444	40.4
Others	26,914	0.8	63,532	1.8	13,457	0.5	65,685	2.3
Total	**3,486,639**	**100.0**	**3,525,248**	**100.0**	**2,657,554**	**100.0**	**2,833,183**	**100.0**

Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less our cost of sales, and our gross profit margin represents our gross profit as a percentage of our revenue. Our gross profit amounted to RMB17,788.6 million, RMB19,294.5 million, and RMB17,356.1 million in 2022, 2023, and the nine months ended September 30, 2024, respectively. Our gross profit margin was 83.6%, 84.6%, and 86.0% in 2022, 2023 and the nine months ended September 30, 2024, respectively.

The following table sets forth a breakdown of our gross profit and gross profit margin for the periods indicated:

	Year Ended December 31,				Nine Months Ended September 30,			
	2022		2023		2023		2024	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
						(Unaudited)		
Drug sales	17,753,301	83.7	18,915,472	84.5	14,210,381	84.3	15,831,252	85.1
Licensing revenue	6,442	100.0	268,371	100.0	95,119	100.0	1,454,746	100.0
Others	28,889	51.8	110,694	63.5	50,578	79.0	70,123	51.6
Total	**17,788,632**	**83.6**	**19,294,537**	**84.6**	**14,356,078**	**84.4**	**17,356,121**	**86.0**

Other Income and Gains

Our other income consists of: (i) bank interest income, (ii) government grants income, which represents subsidies received from the government relating to both expenses and assets, and (iii) dividend income from equity investments at fair value through profit or loss ("FVTPL").

Our other gains primarily consist of: (i) gain on financial assets at FVTPL, primarily related to wealth management products offered by licensed banks and investments in unlisted equities, (ii) net foreign exchange gains, primarily related to our bank balances and other assets denominated in foreign currencies, (iii) gain on disposal of subsidiaries, related to Shanghai Fuhong Biopharmaceutical Co., Ltd., which we disposed of in 2022, and (iv) gain on deemed disposal of subsidiaries, related to Shanghai Regenelead Therapies Co., Ltd. ("Shanghai Regenelead") and Suzhou Yiduoyun Health Co., Ltd., which changed from our subsidiaries to associates after certain investors injected additional capital into them in 2022. See Note 31 to the Accountants' Report included in Appendix I to this document for more information on our disposal and deemed disposal of subsidiaries.

The following table sets forth a breakdown of our other income and gains for the periods indicated:

	Year Ended December 31,		Nine Months Ended September 30,	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Other income				
Bank interest income	385,275	477,143	350,861	490,918
Government grants income	287,401	498,486	245,066	270,744
Dividend income from equity investments at FVTPL	9,028	8,813	6,439	33,909
Total other income	**681,704**	**984,442**	**602,366**	**795,571**
Gains				
Gain on financial assets at FVTPL	230,903	28,262	43,714	11,603
Foreign exchange gains, net	93,188	7,902	25,932	–
Gain on disposal of subsidiaries	30,916	–	–	–
Gain on deemed disposal of subsidiaries	325,986	–	–	–
Others	8,518	13,178	4,743	8,450
Total gains	**689,511**	**49,342**	**74,389**	**20,053**
Total	**1,371,215**	**1,033,784**	**676,755**	**815,624**

Selling and Distribution Expenses

Our selling and distribution expenses consist of: (i) marketing expenses, which primarily consist of the expenses associated with market research and various marketing and promotion activities, including those for our newly launched products, (ii) staff costs, consisting of salaries, share-based compensation, and other benefits for our in-house sales and marketing staff, (iii) travel and conference expenses, including expenses for hosting and participating in different levels of academic conferences, seminars and symposia, and (iv) others, primarily consisting of office expenses and certain other expenses that are directly related to our marketing and promotion activities. The following table sets forth a breakdown of our selling and distribution expenses for the periods indicated:

	Year Ended December 31,		Nine Months Ended September 30,	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Marketing expenses	3,808,307	3,876,914	2,828,378	2,938,631
Staff costs	2,904,075	2,593,822	1,806,202	2,167,684
Travel and conference expenses	549,854	1,038,006	722,134	942,005
Others	85,658	68,434	51,837	60,968
Total	**7,347,894**	**7,577,176**	**5,408,551**	**6,109,288**

Research and Development Expenses

Our research and development expenses consist of: (i) staff costs, consisting of salaries, share-based compensation, and other benefits for our R&D personnel, (ii) cost of materials, which primarily consists of costs of reagents and consumables used in our R&D activities, (iii) design and clinical trial expenses associated with our development of product candidates and indication expansion of our commercialized products, (iv) depreciation and amortization of property, plant and equipment and right-of-use assets used in our R&D activities, and (v) others, including R&D related miscellaneous expenses and travel expenses. The following table sets forth a breakdown of our research and development expenses for the periods indicated:

	Year Ended December 31,		Nine Months Ended September 30,	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Staff costs	2,069,152	1,893,629	1,554,084	1,630,169
Cost of materials	788,105	976,060	567,843	755,860
Design and clinical trial expenses	1,191,922	1,139,289	963,645	1,369,104
Depreciation and amortization	224,943	291,986	182,906	203,595
Others	612,431	652,923	457,017	590,142
Total	**4,886,553**	**4,953,887**	**3,725,495**	**4,548,870**

Administrative Expenses

Our administrative expenses consist of: (i) staff costs, consisting of salaries, share-based compensation, and other benefits for our managerial and administrative staff, (ii) meeting and related expenses, which primarily consist of expenses associated with attending and hosting conferences by our managerial and administrative staff, and other related expenses, (iii) travel expenses, office expenses and general operating expenses related to our managerial and administrative staff, (iv) consulting, professional and other service expenses, (v) taxes and surcharges, and (vi) others, which primarily include depreciation and amortization, insurance expenses, utilities, repairs, and maintenance expenses. The following table sets forth a breakdown of our administrative expenses for the periods indicated:

	Year Ended December 31,		Nine Months Ended September 30,	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Staff costs	876,548	964,518	650,844	677,503
Meeting and related expenses	549,586	513,906	358,861	482,446
Travel expenses, office expenses and general operating expenses	401,008	394,455	273,472	350,313
Consulting, professional and other service expenses	426,993	388,018	304,912	251,652
Taxes and surcharges	190,389	219,257	162,733	172,415
Others	53,635	164,397	106,289	133,302
Total	**2,498,159**	**2,644,551**	**1,857,111**	**2,067,631**

Other Expenses

Our other expenses primarily consist of: (i) donations, (ii) net foreign exchange losses, primarily related to our bank balances and other assets denominated in foreign currencies, (iii) impairment losses under the expected credit loss model, net of reversal, related to our trade receivables and other receivables, (iv) discounts of bills receivables, (v) impairment loss recognized/(reversed) on non-financial assets, primarily related to the impairment of inventories and other non-current assets, and (vi) loss on disposal of items of property, plant and equipment. The following table sets forth a breakdown of our other expenses for the periods indicated:

	Year Ended December 31,		Nine Months Ended September 30,	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Donations	142,268	231,743	110,232	237,636
Foreign exchange losses, net	–	–	–	38,932
Impairment losses under expected credit loss model, net of reversal	26,284	(17,254)	3,072	14,288
Discounts of bills receivables	69,971	71,793	50,372	13,174
Impairment loss recognized/(reversed) on non-financial assets	146,684	107,217	12,709	(9,250)
Loss on disposal of items of property, plant and equipment	2,203	12,430	–	4,144
Others	1,852	1,067	1,056	2,750
Total	**389,262**	**406,996**	**177,441**	**301,674**

Finance Costs

Our finance costs consist of the interest accrued on our borrowings and lease liabilities. The following table sets forth a breakdown of our finance costs for the periods indicated:

	Year Ended December 31,		Nine Months Ended September 30,	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Interest on borrowings	943	1,633	1,467	1,020
Interest on lease liabilities	5,548	4,272	3,276	2,294
Total	**6,491**	**5,905**	**4,743**	**3,314**

Share of Losses of Associates

Our interests in associated companies primarily represent our investments in Shanghai Regenelead. In 2022, 2023, and the nine months ended September 30, 2024, we recorded share of loss of associates of RMB63.0 million, RMB72.7 million, and RMB54.2 million, respectively.

Income Tax Expenses

Our income tax expenses consist of current income tax and deferred income tax. We are subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of our Group are domiciled and operate. The following table sets forth a breakdown of our income tax expenses for the periods indicated:

	Year Ended December 31,		Nine Months Ended September 30,	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Current income tax	175,596	487,760	334,359	563,575
Deferred income tax	(22,245)	(98,471)	26,988	(93,165)
Total	**153,351**	**389,289**	**361,347**	**470,410**

Mainland China

The provision for corporate income tax in mainland China is based on the statutory rate of 25% of the taxable profits determined in accordance with the EIT Law, except for our Company and certain of our subsidiaries in mainland China that are granted tax concession and are taxed at preferential tax rates. For details of preferential tax treatments enjoyed by our Company and our subsidiaries, see Note 11 to the Accountants' Report in Appendix I to this document.

U.S.

Our subsidiaries incorporated in the U.S. are subject to statutory federal corporate income tax at a rate of 21% and state income tax generally ranging from 1% to 10%.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Nine Months Ended September 30, 2024 Compared to Nine Months Ended September 30, 2023

Revenue

Our revenue increased by 18.7% from RMB17,013.6 million for the nine months ended September 30, 2023 to RMB20,189.3 million for the same period of 2024. This increase was primarily attributable to (i) an RMB1,744.3 million increase in our revenue from drug sales, which was primarily driven by increased sales of our innovative drugs, and (ii) an RMB1,359.6 million increase in our licensing revenue, which was primarily due to the satisfaction of our obligations under out-licensing arrangements during the nine months ended September 30, 2024.

In terms of therapeutic areas and products, our revenue increase was mainly driven by an RMB1,714.5 million increase in our oncology revenue and an RMB508.1 million increase in our metabolic and cardiovascular diseases revenue, primarily attributable to increased sales of our innovative drugs. The increase in revenue from sales of our innovative drugs in these therapeutic areas was primarily attributable to the following factors: our innovative products' inclusion in the NRDL, enhanced market adoption following endorsements by clinical guidelines, expansion of indications, and enhanced medical evidence supported by post-market studies.

Cost of Sales

Our cost of sales increased by 6.6% from RMB2,657.6 million for the nine months ended September 30, 2023 to RMB2,833.2 million for the same period of 2024. This increase was primarily attributable to an RMB163.5 million increase in direct labor and manufacturing costs, generally in line with growth of our drug sales.

Gross Profit and Gross Profit Margin

As a result of the changes in our revenue and cost of sales described above, our gross profit increased by 20.9% from RMB14,356.1 million for the nine months ended September 30, 2023 to RMB17,356.1 million for the same period of 2024. Our gross profit margin increased from 84.4% for the nine months ended September 30, 2023 to 86.0% for the same period of 2024, primarily due to (i) increased contribution of licensing revenue, which has a relatively higher gross margin compared to drug sales, and (ii) an increase in gross profit margin for drug sales attributable to our efforts to optimize our manufacturing costs.

Other Income and Gains

Our other income and gains increased by 20.5% from RMB676.8 million for the nine months ended September 30, 2023 to RMB815.6 million for the same period of 2024, primarily attributable to an RMB140.1 million increase in bank interest income due to increased balance of bank deposits.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 13.0% from RMB5,408.6 million for the nine months ended September 30, 2023 to RMB6,109.3 million for the same period of 2024, primarily attributable to (i) an RMB361.5 million increase in staff costs due to an increase in the average remuneration of our sales and marketing personnel, and (ii) an RMB219.9 million increase in travel and conference expenses associated with our marketing activities for newly launched products.

Research and Development Expenses

Our research and development expenses increased by 22.1% from RMB3,725.5 million for the nine months ended September 30, 2023 to RMB4,548.9 million for the same period of 2024, primarily attributable to (i) an RMB405.5 million increase in design and clinical trial expenses related to clinical trials for our innovative product candidates, (ii) an RMB188.0 million increase in cost of materials due to increased R&D activities, and (iii) an RMB133.1 million increase in others, primarily due to increased traveling expenses for R&D personnel.

Administrative Expenses

Our administrative expenses increased by 11.3% from RMB1,857.1 million for the nine months ended September 30, 2023 to RMB2,067.6 million for the same period of 2024, primarily attributable to (i) an RMB123.6 million increase in meeting and related expenses due to an increased number of meetings held and attended by our managerial and administrative staff, and (ii) an RMB76.8 million increase in travel expenses, office expenses and general operating expenses.

Other Expenses

Our other expenses increased by 70.0% from RMB177.4 million for the nine months ended September 30, 2023 to RMB301.7 million for the same period of 2024, primarily attributable to an RMB127.4 million increase in donations.

Finance Costs

Our finance costs decreased by 30.1% from RMB4.7 million for the nine months ended September 30, 2023 to RMB3.3 million for the same period of 2024, attributable to an RMB0.4 million decrease in interest on borrowings and an RMB1.0 million decrease in interest on lease liabilities.

Share of Losses of Associates

Our share of losses of associates increased by 15.1% from RMB47.1 million for the nine months ended September 30, 2023 to RMB54.2 million for the same period of 2024, due to increased losses of our associate companies.

Income Tax Expenses

Our income tax expenses increased by 30.2% from RMB361.3 million for the nine months ended September 30, 2023 to RMB470.4 million for the same period of 2024, primarily due to an increase in our profit before tax. Our effective income tax rate (equal to income tax expenses as a percentage of profit before tax) remained relatively stable at 9.5% and 9.2% for the nine months ended September 30, 2023 and 2024, respectively.

Profit for the Period

As a result of the foregoing, our profit for the period increased by 33.8% from RMB3,451.0 million for the nine months ended September 30, 2023 to RMB4,616.3 million for the same period of 2024. Our net profit margin, which represents profit for the period as a percentage of total revenue, increased from 20.3% for the nine months ended September 30, 2023 to 22.9% for the same period of 2024.

Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

Revenue

Our revenue increased by 7.3% from RMB21,275.3 million in 2022 to RMB22,819.8 million in 2023. This increase was primarily attributable to (i) an RMB1,164.2 million increase in revenue from drug sales, which was primarily driven by an increase in sales of our innovative drugs, and (ii) an RMB261.9 million increase in licensing revenue, which was primarily due to the satisfaction of our obligations under our out-licensing arrangements.

In terms of therapeutic areas and products, our revenue increase was mainly driven by:

(i) an RMB904.4 million increase in our oncology revenue and an RMB105.9 million increase in our metabolic and cardiovascular diseases revenue, primarily attributable to an increase in sales of our innovative drugs. The increase in revenue from sales of our innovative drugs in these therapeutic areas was primarily attributable to the

following factors: our innovative drugs' inclusion in the NRDL, expanded indications, enhanced medical evidence supported by post-market studies, and launch of new innovative drugs; and

(ii) an RMB316.3 million increase in our neuroscience revenue, primarily attributable to an increase in sales of our anesthesia and analgesia products driven by increasing market demand.

Cost of Sales

Our cost of sales increased slightly from RMB3,486.6 million in 2022 to RMB3,525.2 million in 2023. This increase was primarily attributable to an RMB84.2 million increase in raw material and packaging costs, which was in line with our sales growth, partially offset by an RMB82.2 million decrease in direct labor and manufacturing costs mainly due to manufacturing cost optimization.

Gross Profit and Gross Profit Margin

As a result of the changes in our revenue and cost of sales described above, our gross profit increased by 8.5% from RMB17,788.6 million in 2022 to RMB19,294.5 million in 2023. Our gross profit margin increased from 83.6% in 2022 to 84.6% in 2023, primarily due to (i) an increase in gross profit margin for drug sales attributable to our efforts to optimize our manufacturing costs, and (ii) a substantial increase in licensing revenue in 2023, which has a relatively higher gross margin compared to drug sales.

Other Income and Gains

Our other income and gains decreased by 24.6% from RMB1,371.2 million in 2022 to RMB1,033.8 million in 2023, primarily because (i) we had an RMB326.0 million in gain on deemed disposal of subsidiaries in 2022, while we did not have this item in 2023, and (ii) our gain on financial assets at FVTPL decreased by RMB202.6 million, primarily because we recognized a significant gain on fair value changes of our investment in an unlisted entity and wealth management products in 2022. These factors were partially offset by an RMB211.1 million increase in government grants income.

Selling and Distribution Expenses

Our selling and distribution expenses increased slightly from RMB7,347.9 million in 2022 to RMB7,577.2 million in 2023, primarily attributable to an RMB488.2 million increase in travel and conference expenses related to our academic promotion activities for our innovative drugs, partially offset by an RMB310.3 million decrease in staff costs as a result of our sales personnel optimization measures.

Research and Development Expenses

Our research and development expenses increased slightly from RMB4,886.6 million in 2022 to RMB4,953.9 million in 2023, primarily attributable to (i) an RMB188.0 million increase in cost of materials related to our R&D activities for innovative drugs, and (ii) an RMB67.0 million increase in depreciation and amortization related to our R&D activities. These factors were partially offset by an RMB175.5 million decrease in staff costs primarily due to our optimization of R&D personnel.

Administrative Expenses

Our administrative expenses increased slightly from RMB2,498.2 million in 2022 to RMB2,644.6 million in 2023, primarily attributable to (i) an RMB88.0 million increase in staff costs due to increased average remuneration of our administrative staff, and (ii) an RMB110.8 million increase in others, primarily due to an increase in depreciation and amortization.

Other Expenses

Our other expenses increased slightly by 4.6% from RMB389.3 million in 2022 to RMB407.0 million in 2023, primarily due to an RMB89.5 million increase in donations, partially offset by (i) an RMB43.5 million decrease in our impairment losses under the expected credit loss model, primarily due to a decrease in our trade receivables, and (ii) an RMB39.5 million decrease in impairment loss recognized on non-financial assets.

Finance Costs

Our finance costs decreased by 9.0% from RMB6.5 million in 2022 to RMB5.9 million in 2023 due to an RMB1.3 million decrease in interest on lease liabilities, which was partially offset by an RMB0.7 million increase in interest on borrowings.

Share of Losses of Associates

Our share of losses of associates increased by 15.4% from RMB63.0 million in 2022 to RMB72.7 million in 2023, resulting from increased losses of our associate companies.

Income Tax Expenses

Our income tax expenses increased by 153.9% from RMB153.4 million in 2022 to RMB389.3 million in 2023, primarily due to an increase in our profit before tax. Our effective income tax rate (equal to income tax expenses as a percentage of profit before tax) increased from 3.9% in 2022 to 8.3% in 2023, primarily because we had relatively lower expenses not deductible for tax purposes in 2022.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 12.1% from RMB3,815.1 million in 2022 to RMB4,277.8 million in 2023. Our net profit margin increased from 17.9% in 2022 to 18.7% in 2023.

NET CURRENT ASSETS

The following table sets forth our current assets, current liabilities and net current assets as of the dates indicated:

	As of December 31,		As of September 30,	As of November 30,
	2022	2023	2024	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Current assets				
Inventories	2,450,575	2,314,026	2,530,975	2,443,998
Trade and bills receivables	8,341,471	6,134,907	6,792,226	6,334,628
Prepayments, other receivables and other assets	2,270,834	1,993,384	2,228,299	2,180,933
Financial assets at FVTPL	2,760,494	99,050	773,721	390,071
Pledged deposits	250	–	7,985	–
Cash and bank balances	15,110,430	20,746,105	22,123,761	23,318,287
Total current assets	**30,934,054**	**31,287,472**	**34,456,967**	**34,667,917**
Current liabilities				
Trade and other payables	2,187,171	2,296,285	2,369,223	2,030,636
Interest-bearing borrowings	1,260,943	–	–	–
Income tax payables	4,030	59,284	182,969	193,644
Contract liabilities	187,075	198,091	1,277,374	188,320
Total current liabilities	**3,639,219**	**2,553,660**	**3,829,566**	**2,412,600**
Net current assets	**27,294,835**	**28,733,812**	**30,627,401**	**32,255,317**

Our net current assets increased from RMB27,294.8 million as of December 31, 2022 to RMB28,733.8 million as of December 31, 2023, primarily due to an RMB5,635.7 million increase in cash and bank balances, and because we had RMB1,260.9 million in interest-bearing borrowings as of December 31, 2022 but did not have this item as of December 31, 2023. These factors were partially offset by (i) an RMB2,661.4 million decrease in financial assets at FVTPL, as we redeemed our relevant investments in wealth management products offered by licensed banks, and (ii) an RMB2,206.6 million decrease in trade and bills receivables, primarily due to our collection of trade and bills receivables.

Our net current assets increased from RMB28,733.8 million as of December 31, 2023 to RMB30,627.4 million as of September 30, 2024, primarily due to (i) an RMB1,377.7 million increase in cash and bank balances, (ii) an RMB674.7 million increase in financial assets at FVTPL, mainly related to our investments in wealth management products offered by licensed banks, and (iii) an RMB657.3 million increase in trade and bills receivables, in line with our revenue growth. These factors were partially offset by an RMB1,079.3 million increase in contract liabilities primarily related to our out-licensing transactions.

Our net current assets increased from RMB30,627.4 million as of September 30, 2024 to RMB32,255.3 million as of November 30, 2024, primarily due to (i) an RMB1,194.5 million increase in cash and bank balances, (ii) an RMB1,089.1 million decrease in contract liabilities as a result of our recognition of revenue from out-licensing related payments we received, and (iii) an RMB338.6 million decrease in trade and other payables due to our settlement of relevant payables.

DISCUSSION OF SELECTED ITEMS FROM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Inventories

Our inventories consist of raw materials, work in progress, finished goods, and contract costs. The following table sets forth the breakdown of our inventories as of the date indicated:

	As of December 31,		As of September 30,
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000 (Unaudited)*
Raw materials	871,513	753,759	843,603
Work in progress	402,613	405,842	504,310
Finished goods	1,149,527	1,146,124	1,171,163
Contract costs	26,922	8,301	11,899
Total	**2,450,575**	**2,314,026**	**2,530,975**

We generally purchase raw materials based on their shelf-lives and required lead times. At the same time, we closely monitor our inventory levels and keep appropriate levels of stock for different products. We did not experience any material shortage or accumulation of inventory during the Track Record Period.

Our inventories decreased by 5.6% from RMB2,450.6 million as of December 31, 2022 to RMB2,314.0 million as of December 31, 2023, primarily due to an RMB117.8 million decrease in raw materials as a result of our enhanced inventory management.

Our inventories increased by 9.4% from RMB2,314.0 million as of December 31, 2023 to RMB2,531.0 million as of September 30, 2024, primarily due to an RMB98.5 million increase in work in progress and an RMB89.8 million increase in raw materials, primarily because we stocked up inventory to meet the high demand for our products.

The following table sets forth our inventory turnover days for the periods indicated:

	Year Ended December 31,		Nine Months Ended September 30,
	2022	2023	2024
			(Unaudited)
Inventory turnover days of raw materials[(1)]	96.2	84.1	77.0
Inventory turnover days of work in progress[(2)]	42.1	41.9	43.9
Inventory turnover days of finished goods[(3)]	113.9	118.8	111.6

(1) Calculated using the average of the beginning and ending raw materials balances of the period, divided by cost of sales for the period and multiplied by 365 days for a year or 273 days for the nine months ended September 30, 2024.

(2) Calculated using the average of the beginning and ending work in progress balances of the period, divided by cost of sales for the period and multiplied by 365 days for a year or 273 days for the nine months ended September 30, 2024.

(3) Calculated using the average of the beginning and ending finished goods balances of the period, divided by cost of sales for the period and multiplied by 365 days for a year or 273 days for the nine months ended September 30, 2024.

Our inventory turnover days of raw materials decreased from 96.2 days in 2022 to 84.1 days in 2023, and further to 77.0 days for the nine months ended September 30, 2024, primarily due to our enhanced inventory management measures to accelerate our inventory turnover.

Our inventory turnover days of work in progress remained relatively stable at 42.1 days in 2022, 41.9 days in 2023 and 43.9 days for the nine months ended September 30, 2024.

Our inventory turnover days of finished goods remained relatively stable at 113.9 days in 2022, 118.8 days in 2023 and 111.6 days for the nine months ended September 30, 2024.

As of November 30, 2024, 78.2% of our inventories as of September 30, 2024 had been utilized or sold.

Trade and Bills Receivables

Our trade and bills receivables represent trade receivables and bills receivables, net of impairment. The following table sets forth the breakdown of our trade and bills receivables as of the dates indicated:

	As of December 31,		As of September 30,
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*
Trade receivables	5,989,439	5,276,769	5,769,703
Bills receivables	2,450,074	940,413	1,118,450
Impairment	(98,042)	(82,275)	(95,927)
Total	**8,341,471**	**6,134,907**	**6,792,226**

Our trade receivables primarily represent the balances due from our customers for our pharmaceutical products. Our trade receivables are typically due within 30 to 90 days from the invoice date, and we require payment in advance for certain sales. We seek to maintain strict credit control over our outstanding receivables, and we have a credit control department to minimize credit risk. Overdue balances are reviewed regularly by senior management. Our bills receivables represent bank acceptance notes received from our customers in lieu of cash payments. Our bills receivables are generally due within six months from the date of issuance. The impairment was recognized our trade receivables under the expected credit loss model.

Our trade and bills receivables decreased by 26.5% from RMB8,341.5 million as of December 31, 2022 to RMB6,134.9 million as of December 31, 2023, primarily due to our accelerated collection of trade and bills receivables.

Our trade and bills receivables increased by 10.7% from RMB6,134.9 million as of December 31, 2023 to RMB6,792.2 million as of September 30, 2024, primarily due to an RMB492.9 million increase in trade receivables due to our increased sales.

The following table sets forth an aging analysis of our trade and bills receivables, based on the invoice date and net of loss allowance, as of the dates indicated:

	As of December 31,		As of September 30,
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*
Current	7,786,353	5,529,352	5,963,580
Past due within 1 year	544,862	604,080	827,213
Past due 1 year to 2 years	6,133	212	133
Past due 2 years to 3 years	4,123	1,263	1,300
Total	**8,341,471**	**6,134,907**	**6,792,226**

The following table sets forth our trade receivables turnover days for the periods indicated:

	Year Ended December 31,		Nine Months Ended September 30,
	2022	2023	2024
			(Unaudited)
Trade receivables turnover days[(1)]	91.7	90.1	74.7

(1) Calculated using the average of the opening and closing balances of trade receivables for the relevant period divided by revenue and multiplied by 365 days for a year or 273 days for the nine months ended September 30, 2024.

Our trade receivables turnover days remained relatively stable at 91.7 days in 2022 and 90.1 days in 2023. Our trade receivables turnover days decreased to 74.7 days in the nine months ended September 30, 2024, primarily due to our accelerated collection of trade receivables and an increase in our licensing revenue.

As of November 30, 2024, RMB5,724.8 million, or approximately 83.1%, of our trade and bills receivables as of September 30, 2024 had been subsequently settled.

Prepayments, Other Receivables and Other Assets

Our prepayments, other receivables and other assets consist of prepayments and prepaid expenses, income tax recoverable, value-added tax recoverable, and deposit. The following table sets forth a breakdown of our prepayments, other receivables and other assets as of the dates indicated:

	As of December 31,		As of September 30,
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*
Prepayments and prepaid expenses	1,601,567	1,643,676	1,774,786
Income tax recoverable	507,196	226,071	232,948
Value-added tax recoverable	146,668	107,979	199,865
Deposit	15,403	15,658	20,700
Total	**2,270,834**	**1,993,384**	**2,228,299**

Prepayments and prepaid expenses mainly consist of our prepayments for research and development costs and production related materials. Income tax recoverable relates to additional deductible allowance for qualified R&D expenses for our income tax. Value-added tax recoverable represents value-added taxes paid with respect to our procurement that can be credited against future value-added tax payables.

Our prepayments, other receivables and other assets decreased by 12.2% from RMB2,270.8 million as of December 31, 2022 to RMB1,993.4 million as of December 31, 2023, primarily due to an RMB281.1 million decrease in income tax recoverable as we prepaid relatively more income tax in 2022 than in 2023.

Our prepayments, other receivables and other assets increased by 11.8% from RMB1,993.4 million as of December 31, 2023 to RMB2,228.3 million as of September 30, 2024, primarily due to an RMB131.1 million increase in prepayments mainly related to our R&D and other activities.

Trade and other Payables

Our trade and other payables primarily represent outstanding amounts due to our suppliers. Our trade and bills payables are non-interest-bearing and are normally settled on terms of three to six months after the invoice date.

The following table sets forth the breakdown of our trade and other payables as of the dates indicated:

	As December 31,		As of September 30,
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000 (Unaudited)*
Trade and bills payables	1,493,467	1,334,012	1,435,335
Payables relating to purchases of items of property, plant and equipment	274,082	176,317	104,604
Borrowings from third parties	159,992	159,992	159,992
Consideration received from employees under A share stock ownership schemes	59,640	313,920	313,920
Other payables	84,839	152,358	146,023
Other tax payables	115,151	159,686	173,074
Lease liabilities	–	–	36,275
Total	**2,187,171**	**2,296,285**	**2,369,223**

Our trade and other payables increased slightly from RMB2,187.2 million as of December 31, 2022 to RMB2,296.3 million as of December 31, 2023, primarily due to an RMB254.3 million increase in consideration received from employees under A Share Employee Stock Ownership Schemes, offset in part by an RMB159.5 million decrease in trade and bills payables as we accelerated settlement of payments to suppliers.

Our trade and other payables increased slightly from RMB2,296.3 million as of December 31, 2023 to RMB2,369.2 million as of September 30, 2024, primarily due to an RMB101.3 million increase in trade and bills payables as a result of our increased purchases of raw materials.

The following table sets forth an aging analysis of our trade and bills payables based on the invoice date as of the dates indicated:

	As of December 31,		As of September 30,
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000 (Unaudited)*
Within 1 year	1,401,710	1,270,701	1,421,545
1 to 2 years	78,159	35,460	6,446
2 to 3 years	10,829	18,093	3,341
Over 3 years	2,769	9,758	4,003
Total	**1,493,467**	**1,334,012**	**1,435,335**

The following table sets for our trade and bills payables turnover days for the periods indicated:

	Year Ended December 31,		Nine Months Ended September 30,
	2022	2023	2024
			(Unaudited)
Trade and bills payables turnover days[(1)]	178.7	146.4	133.4

(1) Calculated using the arithmetic mean of the opening and closing balances of trade and bills payables for the relevant period divided by cost of sales and multiplied by 365 days for a year or 273 days for the nine months ended September 30, 2024.

Our trade and bills payables turnover days decreased from 178.7 days in 2022 to 146.4 days in 2023, and further to 133.4 days in the nine months ended September 30, 2024, primarily due to our accelerated settlement of payments to suppliers.

As of November 30, 2024, RMB919.9 million, or approximately 59.7%, of our trade and bills payables as of September 30, 2024 had been subsequently settled.

Contract Liabilities

Our contract liabilities consist of amounts received in advance for delivery of products and services and amounts received in advance in relation to the out-licensing of our product candidates. We recognize contract liability when a payment is received or a payment is due (whichever is earlier) from a customer before the relevant criteria for revenue recognition are satisfied. We recognize contract liabilities as revenue when the relevant criteria for revenue recognition are satisfied.

	As of December 31,		As of September 30,
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*
Amounts received in advance for delivery of products and services	187,075	198,091	195,329
Amounts received in advance in relation to a licensing arrangement	–	–	1,082,045
Total	**187,075**	**198,091**	**1,277,374**

CASH FLOWS

Our use of cash primarily related to operating activities, capital expenditure, and dividend distribution. We have historically financed our operations primarily through cash flows generated from our operations and borrowings.

The following table sets forth a summary of our cash flows information for the periods indicated:

	Year Ended December 31,		Nine Months Ended September 30,	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Net cash flows from operating activities	1,265,265	7,643,665	4,308,871	4,585,446
Net cash flows from/(used in) investing activities	390,291	1,222,314	1,237,586	(1,873,446)
Net cash flows used in financing activities	(318,771)	(3,144,428)	(3,089,943)	(1,506,524)
Net increase in cash and cash equivalents	1,336,785	5,721,551	2,456,514	1,205,476
Cash and cash equivalents at beginning of year/period	13,120,156	14,537,437	14,537,437	20,271,524
Effect of foreign exchange rate changes, net	80,496	12,536	19,697	(21,220)
Cash and cash equivalents at end of year/period	14,537,437	20,271,524	17,013,648	21,455,780

Net Cash Flows From Operating Activities

Our net cash flows from operating activities in 2022 were RMB1,265.3 million, primarily attributable to (i) RMB3,968.5 million in profit before tax, (ii) an RMB1,875.6 million increase in trade and other payables, and (iii) adjustments for depreciation of property, plant and equipment of RMB579.3 million. The foregoing was partially offset by (i) an RMB4,339.1 million increase in trade and bills receivables, and (ii) adjustments for an RMB326.0 million gain on deemed disposal of subsidiaries and an RMB230.9 million gain on financial assets at FVTPL.

Our net cash flows from operating activities in 2023 were RMB7,643.7 million, primarily attributable to (i) RMB4,667.1 million in profit before tax, (ii) an RMB2,343.0 million increase in trade and other payables, (iii) adjustments for depreciation of property, plant and equipment

of RMB717.7 million, and (iv) an RMB362.3 million decrease in prepayments, other receivables and other assets. The foregoing was partially offset by (i) an RMB436.4 million increase in trade and bills receivables.

Our net cash flows from operating activities in the nine months ended September 30, 2024 were RMB4,585.4 million, primarily attributable to (i) RMB5,086.7 million in profit before tax, (ii) an RMB1,802.3 million increase in trade and other payables, (iii) RMB725.2 million increase in contract liabilities, and (iv) adjustments for depreciation of property, plant and equipment of RMB554.4 million. This cash inflow was partially offset by (i) an RMB2,837.9 million increase in trade and bills receivables, and (ii) an RMB429.0 million increase in prepayments, other receivables and other assets.

Net Cash Flows Used in Investing Activities

Our net cash flows from investing activities in 2022 were RMB390.3 million, primarily attributable to proceeds from disposal of financial assets at FVTPL of RMB10,209.7 million. This factor was partially offset by (i) addition to intangible assets of RMB1,559.5 million, and (ii) purchases of financial assets at FVTPL of RMB7,589.6 million.

Our net cash flows from investing activities in 2023 were RMB1,222.3 million, primarily attributable to proceeds from disposal of financial assets at FVTPL of RMB2,694.0 million. This factor was partially offset by (i) addition to intangible assets of RMB1,213.5 million, and (ii) purchases of items of property, plant and equipment of RMB270.3 million.

Our net cash flows used in investing activities in the nine months ended September 30, 2024 were RMB1,873.4 million, primarily attributable to (i) addition to intangible assets of RMB1,250.9 million, (ii) purchases of financial assets at FVTPL of RMB600.0 million, and (iii) purchases of items of property, plant and equipment of RMB249.6 million. This cash outflow was partially offset by proceeds from disposal of financial assets at FVTPL of RMB202.1 million.

Net Cash Flows From Financing Activities

Our net cash flows used in financing activities in 2022 were RMB318.8 million, primarily attributable to (i) dividends paid of RMB1,015.5 million, (ii) payments for repurchase of restricted A shares of RMB667.8 million, and (iii) payments for repurchase of shares for the A share stock ownership schemes of RMB398.0 million. This cash outflow was partially offset by (i) new borrowings of RMB1,260.0 million, and (ii) capital injections from non-controlling shareholders of subsidiaries of RMB378.9 million.

Our net cash flows used in financing activities in 2023 were RMB3,144.4 million, primarily attributable to (i) repayment of borrowings of RMB1,281.1 million, (ii) dividends paid of RMB1,019.9 million, and (iii) payments for repurchase of shares for the A share stock ownership schemes of RMB827.3 million.

Our net cash flows used in financing activities in the nine months ended September 30, 2024 were RMB1,506.5 million, primarily attributable to (i) dividends paid of RMB1,273.8 million, and (ii) payments for repurchase of shares for A share stock ownership schemes of RMB196.9 million.

WORKING CAPITAL SUFFICIENCY

Taking into account the financial resources available to us, including cash flows from operating activities, our current cash and cash equivalents, and the estimated [**REDACTED**] from the [**REDACTED**], our Directors are of the view that we have available sufficient working capital for our present requirements that is for at least the next 12 months from the date of this document.

CAPITAL EXPENDITURE AND COMMITMENTS

Capital Expenditure

Our capital expenditures principally comprise expenditures for purchases of items of property, plant, and equipment, purchase of land use right, and addition to intangible assets, primarily related to our production and R&D activities. We have funded our capital expenditures during the Track Record Period mainly from cash generated from operating activities. We may adjust our capital expenditures for any given period according to our development plans or in light of market conditions and other factors we believe to be appropriate. The following table sets forth a breakdown of our capital expenditures during the periods indicated:

	Year Ended December 31,		Nine Months Ended September 30,
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000 (Unaudited)*
Property, plant and equipment	1,219,936	705,458	561,865
Land use right	53,045	–	27,102
Intangible assets	1,501,529	1,330,998	1,256,178
Total	**2,774,510**	**2,036,456**	**1,845,145**

Commitments

As of December 31, 2022 and 2023 and September 30, 2024, we had contractual commitments for purchases of property, plant and equipment and interest in an existing subsidiary in an aggregate amount of RMB146.1 million, RMB193.7 million and RMB753.2 million (unaudited), respectively.

INDEBTEDNESS

The following table sets forth a breakdown of our indebtedness as of the dates indicated:

	December 31,		September 30,	November 30,
	2022	2023	2024	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Current				
– Interest-bearing borrowings	1,260,943	–	–	–
– Borrowings from third parties	159,992	159,992	159,992	159,992
– Lease liabilities	–	–	36,275	41,950
Subtotal	1,420,935	159,992	196,267	201,942
Non-current				
– Lease liabilities	98,861	75,176	51,305	71,927
Total	**1,519,796**	**235,168**	**247,572**	**273,869**

Borrowings

We had interest-bearing borrowings of RMB1,260.9 million as of December 31, 2022, but did not have any interest-bearing borrowings as of December 31, 2023, September 30, 2024 or November 30, 2024. We had borrowings from third parties of RMB160.0 million as of December 31, 2022 and 2023 and September 30 and November 30, 2024.

Lease Liabilities

We are the lessee in respect of certain properties held under leases for our plant, offices and laboratories during the Track Record Period. For any lease with a term of more than 12 months, unless the underlying asset is of low value, we recognize a right-of-use asset representing our right to use the underlying leased asset and a lease liability representing our obligation to make lease payments.

As of December 31, 2022, 2023, September 30, 2024, and November 30, 2024, we had a total of current and non-current lease liabilities of RMB98.9 million, RMB75.2 million, RMB87.6 million, and RMB113.9 million, respectively.

Indebtedness Statement and Contingent Liabilities

Except as disclosed above, as of November 30, 2024, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, borrowings, indebtedness, guarantees or other material contingent liabilities.

Our Directors confirm that there was no material change in our indebtedness from November 30, 2024 to the Latest Practicable Date.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we had entered into certain related party transactions, details of which are set out in Note 34 to the Accountants' Report in Appendix I to this document. The following table sets forth a breakdown of our balances due from/to related parties as of the dates indicated:

	As of December 31,		As of September 30,
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*
Amounts due from:			
Associates	–	24,193	27,811
Controlled by a close family member of a director	–	247	2,427
Controlled by a director	–	663	670
Total	**–**	**25,103**	**30,908**
Amounts due to:			
Associates	–	137	2,901
Controlled by a close family member of a director	–	136	15
Total	**–**	**273**	**2,916**

All of our related party transactions during the Track Record Period were trade in nature. Our Directors confirm that all of our related party transactions during the Track Record Period set out in Note 34 to the Accountants' Report in Appendix I to this document were conducted on arm's length basis and would not distort our results of operations or make our historical results not reflective of our future performance.

KEY FINANCIAL RATIOS

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

	As of December 31,		As of September 30,
	2022	2023	2024
			(Unaudited)
Current ratio[(1)]	8.5	12.3	9.0
Quick ratio[(2)]	7.8	11.3	8.3

	Year Ended December 31,		Nine Months Ended September 30,	
	2022	2023	2023	2024
			(Unaudited)	
Gross profit margin[(3)]	83.6%	84.6%	84.4%	86.0%
Net profit margin[(4)]	17.9%	18.7%	20.3%	22.9%
Return on equity[(5)]	10.3%	10.8%	N/A	14.7%
Return on assets[(6)]	9.3%	9.9%	N/A	13.6%

Notes:

(1) Current ratio is calculated using total current assets divided by total current liabilities.

(2) Quick ratio is calculated using total current assets less inventories divided by total current liabilities.

(3) Gross profit margin represents gross profit as a percentage of total revenue.

(4) Net profit margin represents profit for the period as a percentage of total revenue.

(5) Return on equity is calculated using profit for the period divided by the arithmetic mean of the opening and closing balances of total equity and multiplied by 100%. Return on equity for the nine months ended September 30, 2024 was annualized.

(6) Return on assets is calculated using profit for the period divided by the arithmetic mean of the opening and closing balances of total assets and multiplied by 100%. Return on assets for the nine months ended September 30, 2024 was annualized.

See "—Significant Factors Affecting Our Results of Operations" for a discussion of the factors affecting our gross profit margin and net profit margin during the relevant periods.

Current Ratio and Quick Ratio

Our current ratio increased from 8.5 as of December 31, 2022 to 12.3 as of December 31, 2023, and our quick ratio increased from 7.8 as of December 31, 2022 to 11.3 as of December 31, 2023. These increases were primarily because our current assets or current assets less inventories (as the case may be) increased while our current liabilities decreased.

Our current ratio and quick ratio decreased to 9.0 and 8.3, respectively, as of September 30, 2024. These decreases were primarily because the increase in our current liabilities outpaced the increase in our current assets or current assets less inventories (as the case may be).

Return on Equity

Our return on equity increased from 10.3% in 2022 to 10.8% in 2023, and further to 14.7% in the nine months ended September 30, 2024. These increases were primarily due to increases in our profit for the period.

Return on Assets

Our return on assets increased from 9.3% in 2022 to 9.9% in 2023, and further to 13.6% in the nine months ended September 30, 2024. These increases were primarily due to increases in our profit for the period.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

We have not entered into any off-balance sheet transactions. Neither have we entered into any financial guarantees or other relevant commitments. In addition, we have not entered into any derivative contracts that are indexed to our equity interests and classified as owners' equity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging with us.

RISK DISCLOSURES

Our principal financial instruments comprise interest-bearing borrowings, financial assets at FVTPL and cash and bank balances. The main purpose of these financial instruments is to raise finance for our operations. We have various other financial assets and liabilities which arise directly from our operations. The main risks arising from our financial instruments are foreign currency risk, credit risk and liquidity risk. For more details, see Note 37 to the Accountants' Report in Appendix I to this document.

Foreign Currency Risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between RMB and other currencies in which we conduct business may affect our financial condition and results of operations. If the RMB had weakened (strengthened) against the U.S. dollars by 5%, our profit before tax and equity would have increased (decreased) by RMB43.5 million, RMB55.7 million, and RMB92.1 million in 2022, 2023, and the nine months ended September 30, 2024, respectively.

Credit Risk

We trade only with recognized and creditworthy parties. It is our policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and our exposure to bad debts is not significant. The credit risk of our other financial assets, which comprise cash and bank balance,

pledged deposits, financial assets included in prepayments, other receivables and other assets, and financial assets included in other non-current assets arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

For financial assets included in other non-current assets and prepayments, other receivables and other assets, our management makes periodic collective assessment as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. Our Directors believe that there is no material credit risk inherent in our outstanding balance of other receivables.

Liquidity Risk

We monitor our risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both our financial instruments and financial assets (e.g., trade and bills receivables) and projected cash flows from operations.

Our objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing borrowings and lease liabilities.

Capital Management

The primary objectives of our capital management are to safeguard our ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders' value.

We manage our capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, we may issue new shares, make borrowings or sell assets to reduce debt. No changes were made in the objectives, policies or processes for managing capital during the Track Record Period.

DIVIDEND POLICY

After the completion of the [**REDACTED**], we may distribute dividends in the form of cash or by other means permitted by our Articles of Association. A decision to declare or to pay dividends in the future and the amount of dividends will be at the discretion of our Board and will depend on a number of factors, including our results of operations, cash flows, financial condition, payments by our subsidiaries of cash dividends to us, business prospects, statutory, regulatory restrictions on our declaration and payment of dividends and other factors that our Board may consider important. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the relevant laws. Our Shareholders may approve any declaration of dividends.

According to applicable PRC laws and our Articles of Association, we will pay dividends out of our profit after tax only after we have made the following allocations: recovery of the losses incurred in the previous year; allocations to the statutory reserve equivalent to 10% of our profit after tax; and allocations to a discretionary common reserve of certain percentage of our profit after tax that are approved by a Shareholders' meeting.

Any distributable profits that are not distributed in any given year will be retained and become available for distribution in subsequent years. Pursuant to our Articles of Association, the amount of the dividends distributed in every three years should be at least 30% of our profits for these three years that are available for distribution, subject to certain specified conditions.

In 2022 and 2023 and the nine months ended September 30, 2024, we declared dividends of RMB1,020.5 million, RMB1,019.9 million and RMB1,273.8 million in respect of the years ended December 31, 2021, 2022 and 2023, respectively. As of the Latest Practicable Date, we had paid these dividends in full. We have not declared any dividends in respect of the year ended December 31, 2024.

DISTRIBUTABLE RESERVES

As of September 30, 2024, we had retained profits of RMB32,148.6 million, which were available for distribution to Shareholders.

[REDACTED]

[**REDACTED**]

[**REDACTED**]

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this document, other than as disclosed above in the "Summary" section in this document, there had been no material adverse change in our financial, operational or prospects since September 30, 2024, being the latest balance sheet date of our combined financial statements in the Accountants' Report in Appendix I to this document.

DISCLOSURE UNDER THE LISTING RULES

Our Directors confirm that 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 in Chapter 13 of the Listing Rules.

OVERVIEW

Upon [**REDACTED**], our Board will consist of 10 Directors, comprising five executive Directors, one non-executive Director and four independent non-executive Directors. Our Directors are appointed for a term of three years and are eligible for re-election upon expiry of their term of office. The independent non-executive Directors shall not hold office for more than six consecutive years pursuant to the relevant PRC laws and regulations.

The Company has established a board of supervisors under the PRC Company Law that is primarily responsible for supervising the performance of the Board and senior management and the financial operations, internal control and risk management. Our Supervisory Committee consists of three Supervisors including one employee representative Supervisor. Our Supervisors are elected for a term of three years and may be subject to re-election.

DIRECTORS

The following table provides information about our Directors:

Name	Age	Position	Date of joining our Group	Date of appointment as Director	Roles and responsibilities
Mr. Sun Piaoyang (孫飄揚先生)	66	Executive Director and Chairman of the Board	August 1982	April 1997	Responsible for the overall strategic planning, business development and management of our Group
Mr. Dai Hongbin (戴洪斌先生)	48	Executive Director and General Manager (President)	July 2000	January 2020	Responsible for the overall business operations of our Group
Mr. Zhang Lianshan (張連山先生)	63	Executive Director and Executive Vice President	May 2010	April 2012	Responsible for the overall R&D of our Group
Mr. Jiang Frank Ningjun (江寧軍先生)	64	Executive Director, Executive Vice President and Chief Strategy Officer	January 2023	February 2023	Responsible for clinical development and business development of our Group
Mr. Sun Jieping (孫杰平先生)	54	Executive Director and Senior Vice President	September 1998	January 2020	Responsible for the overall financial management of our Group
Ms. Guo Congzhao (郭叢照女士)	52	Non-executive Director	January 2020	January 2020	Responsible for providing recommendations on the strategic development of our Group

Name	Age	Position	Date of joining our Group	Date of appointment as Director	Roles and responsibilities
Mr. Dong Jiahong (董家鴻先生)	64	Independent non-executive Director	May 2021	May 2021	Responsible for supervising and providing independent opinion and judgment to the Board
Mr. Zeng Qingsheng (曾慶生先生)	50	Independent non-executive Director	February 2023	February 2023	Responsible for supervising and providing independent opinion and judgment to the Board
Mr. Sun Jinyun (孫金雲先生)	52	Independent non-executive Director	February 2023	February 2023	Responsible for supervising and providing independent opinion and judgment to the Board
Mr. Chow Kyan Mervyn (周紀恩先生)	52	Independent non-executive Director	[REDACTED]	December 2024, with effect from the [REDACTED]	Responsible for supervising and providing independent opinion and judgment to the Board

Executive Directors

Mr. Sun Piaoyang (孫飄揚先生), aged 66, is the Chairman of the Board and has been our Director since April 1997. Mr. Sun is primarily responsible for the overall strategic planning, business development and management of our Group. He also serves as the chairperson of the Strategy Committee and a member of the Nomination Committee.

Mr. Sun is an industry veteran with over 42 years of experience in the pharmaceutical industry. He joined our Group in August 1982 and held several positions over the years, including as the factory director of Lianyungang Pharmaceutical Factory (連雲港製藥廠), the predecessor of our Company. Mr. Sun was a Director since April 1997 and he served as the Chairman of the Board from April 1997 to January 2020 and was re-appointed subsequently in August 2021. Mr. Sun has also been serving as an independent non-executive director of Abbisko Cayman Limited (HKEX: 2256) since September 2021.

Mr. Sun served as a representative of the 11th, 12th and 13th National People's Congress of the PRC (全國人民代表大會), and currently serves as a representative of the 14th National People's Congress of the PRC (全國人民代表大會). He is currently an executive member of the China Pharmacopoeia Commission (國家藥典委員會) and a vice chairperson of the Chinese Pharmaceutical Association (中國藥學會). He is also a recipient of the State Council Special Allowance (國務院特殊津貼).

Mr. Sun received his bachelor's degree in Science (Pharmaceutical Chemistry) from China Pharmaceutical University (中國藥科大學) in the PRC in July 1982. He received his doctoral degree in Organic Chemistry from Nanjing University (南京大學) in the PRC in December 2004.

Mr. Dai Hongbin (戴洪斌先生), aged 48, has been our Director since January 2020 and our General Manager (President) since May 2022. Mr. Dai is primarily responsible for the overall business operations of our Group. He also serves as a member of the Remuneration and Evaluation Committee and a member of the Strategy Committee.

Mr. Dai has over 24 years of industry experience. Mr. Dai joined our Group in July 2000, and successively served as our director of general office from July 2000 to April 2003 and our board secretary from April 2003 to May 2016. He was also our Deputy General Manager from April 2013 to May 2022.

Mr. Dai received his bachelor's degrees in Law and Economics from Zhongnan University of Economics and Law (中南財經政法大學) in the PRC in June 2000 and his master's degree in Business Management from Wuhan University (武漢大學) in the PRC in June 2011. He received his doctoral degree in Pharmacy (Social and Administrative Pharmacy) from China Pharmaceutical University (中國藥科大學) in the PRC in June 2024.

Mr. Zhang Lianshan (張連山先生), aged 63, has been our Director since April 2012 and our Deputy General Manager from August 2010 to December 2024. Mr. Zhang has been appointed as our Executive Vice President since December 2024. Mr. Zhang is primarily responsible for the overall R&D of our Group. He also serves as a member of the Strategy Committee.

Mr. Zhang has over 42 years of experience in the biomedical research and pharmaceutical industry. Before joining our Group, Mr. Zhang worked as a research assistant at the Institute of Organic Chemistry in Eberhard Karls University of Tübingen in Germany from 1992 until he subsequently joined the Department of Microbiology and Immunology at Vanderbilt University in the U.S., working as a postdoctoral researcher from 1994 to 1998. From March 1998 to July 2008, he served as senior chemist, chief research scientist, and research advisor at Eli Lilly and Company (NYSE: LLY). Mr. Zhang subsequently served as the senior director of chemistry at Marcadia Biotech Inc. in the U.S. from August 2008 to April 2010.

Mr. Zhang received his bachelor's degree in Science (Pharmaceutical Chemistry) from China Pharmaceutical University (中國藥科大學) in the PRC in 1982. He received his doctoral degree in Organic Chemistry from Eberhard Karls University of Tübingen in Germany in 1992.

Mr. Jiang Frank Ningjun (江寧軍先生), aged 64, has been our Director since February 2023, and was our Deputy General Manager from February 2023 to December 2024. Mr. Jiang has been appointed as our Executive Vice President since December 2024. Mr. Jiang is also the Chief Strategy Officer and is primarily responsible for clinical development and business development of our Group. He serves as a member of the Strategy Committee.

Mr. Jiang has over 40 years of experience in the medical/pharmaceutical industry, including over 35 years of experience and expertise in medical and clinical research in the U.S., Canada, and China. He served as a team leader in the clinical research of cardiovascular disease at Eli Lilly and Company (NYSE: LLY). Mr. Jiang served several key roles at Sanofi (NASDAQ: SNY, EPA: SAN), including the global clinical research director from July 2002 to June 2006, the Global VP (Clinical Operations) from July 2008 to November 2010 and the Global VP and Head of Asia Pacific R&D from November 2010 to June 2016. Subsequently, he served as the founding chief executive officer, executive director and chairman of the board of directors of CStone Pharmaceuticals (HKEX: 2616) from July 2016 to August 2022.

Mr. Jiang was certified as a physician in the U.S. by the Educational Commission for Foreign Medical Graduates in May 1995.

Mr. Jiang received his M.D. in Medicine from Nanjing Medical University (南京醫科大學) (formerly known as Nanjing Medical College (南京醫學院)) in the PRC in 1982. He received his doctoral degree in Immunology from the University of British Columbia in Canada in 1992. He completed a postdoctoral fellowship in clinical chemistry in 1994, an internship in internal medicine in June 1997, and a clinical residency in internal medicine in June 1999 at Washington University School of Medicine in the U.S.

Mr. Sun Jieping (孫杰平先生), aged 54, has been our Director since January 2020 and our Deputy General Manager from April 2013 to December 2024. Mr. Sun has been appointed as our Senior Vice President since December 2024. Mr. Sun is primarily responsible for the overall financial management of our Group.

Mr. Sun joined our Group in September 1998 and served as our Finance Director. Prior to that, he worked at Lianyungang Pharmaceutical Procurement and Supply Station (連雲港市醫藥採購供應站) (the predecessor of Jiangsu Kangyuan Pharmaceutical Commercial Co., Ltd. (江蘇康緣醫藥商業有限公司)) from July 1992 to September 1998, serving as accountant, accountant in charge, deputy finance manager, and audit manager successively.

Mr. Sun received his bachelor's degree in Accounting from Tianjin College of Commerce (天津商學院) in the PRC in 1992 and his master's degree in Professional Accountancy from The Chinese University of Hong Kong in December 2004.

Non-Executive Director

Ms. Guo Congzhao (郭叢照女士), aged 52, has been our Director since January 2020. Ms. Guo is primarily responsible for providing recommendations on the strategic development of our Group. She also serves as a member of the Strategy Committee.

Ms. Guo joined our Group in January 2020 and has been serving as our Director since then. Prior to joining our Group, from August 1996 to September 2017, she served in various roles at the Ministry of Finance of PRC. From September 2017 to December 2019, Ms. Guo served several roles in China National Pharmaceutical Investment Co., Ltd. (中國醫藥投資有限公司), including the general manager of the equity investment division, the general manager of industrial development division and investment director. Since December 2019, Ms. Guo has been serving as the investment director in China National Pharmaceutical Investment Co., Ltd. (中國醫藥投資有限公司). Since April 2023, Ms. Guo has also been serving as a deputy general manager in charge of daily operations and the finance director of Sinopharm Private Equity Fund Management (Beijing) Co., Ltd. (國藥集團私募基金管理(北京)有限公司).

Ms. Guo received her bachelor's degree and master's degree in Economics from Zhongnan University of Economics (中南財經大學) (currently known as Zhongnan University of Economics and Law (中南財經政法大學)) in the PRC in July 1993 and June 1996 respectively.

Independent Non-Executive Directors

Mr. Dong Jiahong (董家鴻先生), aged 64, has been our independent non-executive Director since May 2021. Mr. Dong is primarily responsible for supervising and providing independent opinion and judgment to the Board. He also serves as the chairperson of the Nomination Committee, a member of the Audit Committee and a member of the Strategy Committee.

Mr. Dong served in the hepatobiliary surgery department of The Southwestern Hospital of the Third Military Medical University (第三軍醫大學西南醫院) (currently known as The Southwest Hospital of Army Medical University (陸軍軍醫大學西南醫院)) from January 1986 to December 2007 and the Chinese PLA General Hospital (中國人民解放軍總醫院) from January 2007 to March 2015. Further, Mr. Dong has been serving various roles at Tsinghua University (清華大學), including the Dean of the School of Clinical Medical and the president of Beijing Tsinghua Changgung Hospital (北京清華長庚醫院).

Mr. Dong received his bachelor's degree in medicine from Xuzhou Medical School (徐州醫學院) (currently known as Xuzhou Medical University (徐州醫科大學)) in the PRC in December 1982. He received his doctoral degree in General Surgery from the Third Military Medical University of the People's Liberation Army (解放軍第三軍醫大學) in the PRC in 1993.

Mr. Zeng Qingsheng (曾慶生先生), aged 50, has been our independent non-executive Director since February 2023. Mr. Zeng is primarily responsible for supervising and providing independent opinion and judgment to the Board. He also serves as the chairperson of the Audit Committee and a member of the Remuneration and Evaluation Committee.

He has also been serving as an independent non-executive director of Haitong UniTrust International Leasing Co., Ltd. (海通恒信國際租賃股份有限公司) (HKEX: 1905) since May 2017. Mr. Zeng is a professor, doctoral supervisor and Vice Dean of the School of Accounting of Shanghai University of Finance and Economics (上海財經大學) in the PRC since March 2010. He was also a lecturer and associate professor of the Faculty of Accounting of Antai College of Economics and Management of Shanghai Jiao Tong University (上海交通大學安泰經濟與管理學院) in the PRC from August 2005 to December 2009.

Mr. Zeng received his bachelor's degree in Accounting from China Textile University (currently known as Donghua University (東華大學)) in the PRC in July 1998. He further received his master's degree in Accounting from Shanghai University of Finance and Economics (上海財經大學) in the PRC in February 2001 and a PhD degree in Accounting from Shanghai University of Finance and Economics (上海財經大學) in the PRC in March 2005. Mr. Zeng was a visiting scholar at Rensselaer Polytechnic Institute in the U.S. from August 2010 to August 2011.

Mr. Sun Jinyun (孫金雲先生), aged 52, has been our independent non-executive Director since February 2023. Mr. Sun is primarily responsible for supervising and providing independent opinion and judgment to the Board. He serves as the chairperson of the Remuneration and Evaluation Committee, a member of the Audit Committee and a member of the Strategy Committee.

Mr. Sun has been an associate professor in the School of Management of Fudan University (復旦大學) in the PRC since June 2012. Mr. Sun served as an independent director of Paslin Digital Technology Co., Ltd. (派斯林數字科技股份有限公司) (SHA: 600215) from July 2018 to November 2024 and has been serving as an independent director of Kennede Electronics Mfg. Co., Ltd. (廣東小崧科技股份有限公司) (SHE:002723) since June 2023.

Mr. Sun received his bachelor's degree in Silicate Engineering from Zhejiang University (浙江大學) in the PRC in June 1994 and master's and doctoral degree in Business Administration from Fudan University (復旦大學) in the PRC in July 2002 and June 2011 respectively.

Mr. Chow Kyan Mervyn (周紀恩先生), aged 52, has been appointed as our independent non-executive Director, with effect from the [**REDACTED**]. Mr. Chow is primarily responsible for supervising and providing independent opinion and judgment to the Board. Mr. Chow is a member of the Advisory Board of Carret Private Wealth Management since March 2023 and a member of the Listing Committee of the Stock Exchange since July 2024. He was a member of the Chairman Pool for the Listing Review Committee of the Stock Exchange from 2021 to 2024.

Mr. Chow was a partner of Hillhouse Capital Management Limited from 2018 to 2021. Mr. Chow has over 20 years of experience in Asia Pacific investment banking. Prior to joining Hillhouse Capital Management Limited, he was the Chief Executive Officer for Greater China and Co-Head of Investment Banking and Capital Markets Asia Pacific for Credit Suisse (Hong Kong) Limited. He was responsible for the bank's sector and country corporate coverage groups, mergers & acquisitions and capital markets in Asia as well as the overall strategy for the bank in Greater China. Mr. Chow served as a non-executive director of Topsports International Holdings Limited (滔搏國際控股有限公司) (HKEX: 6110) from June 2019 to October 2020.

Mr. Chow received his bachelor of Arts in Economics from the University of California at Berkeley in May 1994 and his master of Arts in International Policy Studies from Stanford University in June 1995.

SUPERVISORS

The following table provides information about our Supervisors:

Name	Age	Position	Date of joining our Group	Date of appointment as Supervisor	Roles and responsibilities
Mr. Yuan Kaihong (袁開紅先生)	59	Chairperson of the Supervisory Committee	August 1987	February 2023	Responsible for exercise of supervision over the Directors and senior management
Mr. Xiong Guoqiang (熊國強先生)	49	Supervisor	July 1998	March 2010	Responsible for exercise of supervision over the Directors and senior management
Ms. Xu Yu (徐煜女士).	32	Employee Supervisor	June 2021	July 2022	Responsible for exercise of supervision over the Directors and senior management

Mr. Yuan Kaihong (袁開紅先生), aged 59, is the Chairperson of our Supervisory Committee. He was appointed as a Supervisor in February 2023 and is primarily responsible for exercise of supervision over the directors and senior management.

Mr. Yuan joined our Group in August 1987 and held various positions since then. Mr. Yuan served as deputy director of factory workshop from August 1987 to December 1989, deputy director of the research institute from January 1990 to December 1992, deputy director of the development department from January 1993 to December 1994, sales manager from January 1995 to June 2001, deputy chief engineer from July 2001 to April 2010 and deputy general manager from April 2010 to January 2023, primarily responsible for drug registration, intellectual property management and clinical research management.

Mr. Yuan received his bachelor's degree in Pharmacy from China Pharmaceutical University (中國藥科大學) in the PRC in July 1987 and has been qualified as a licensed pharmacist in the PRC by the State Pharmaceutical Administration (國家醫藥管理局) in September 1995.

Mr. Xiong Guoqiang (熊國強先生), aged 49, is our Supervisor. He was appointed as a Supervisor in March 2010 and is primarily responsible for exercise of supervision over the directors and senior management.

Mr. Xiong joined our Group in July 1998 and held various positions since then. He served as a sales accountant from July 1998 to August 2001, the finance manager of various subsidiaries of our Group, including Shanghai Hengrui Pharmaceuticals Co., Ltd. (上海恒瑞醫藥有限公司), from September 2001 to November 2005, the head of audit department of our Group from November 2005 to February 2017 and the deputy director of our Group's policy affairs department from February 2017 to July 2021. He has served as our deputy director for internal control and audit since March 2024.

Mr. Xiong received his bachelor's degree in Auditing from Lanzhou Business College (蘭州商學院) in the PRC in June 1998.

Ms. Xu Yu (徐煜女士), aged 32, is our Employee Supervisor. She was appointed as the Employee Supervisor in July 2022 and is primarily responsible for exercise of supervision over the directors and senior management.

Ms. Xu joined our Group in June 2021 as the compliance manager of the compliance management office. Prior to her joining, she served several roles at People's Court of Luyang District, Hefei City, Anhui Province (安徽省合肥市廬陽區人民法院) from December 2014 to May 2021, serving as a law clerk, the secretary of the Youth League branch and the assistant to the president.

Ms. Xu received her bachelor's degree in Law from Southwest University of Political Science and Law (西南政法大學) in the PRC in 2013, and her master's degree in Public Administration from the University of Science and Technology of China (中國科學技術大學) in the PRC in 2020. She obtained the legal professional qualification certificate (國家法律職業資格證) issued by the Bureau of Legal Professional Qualifications Administration (法律職業資格管理局) in the PRC in August 2013.

SENIOR MANAGEMENT

The senior management team of our Group (other than our executive Directors whose details have been set out in the preceding section) and their details of experience are as follows:

Name	Age	Position	Date of joining our Group	Date of appointment as senior management	Roles and responsibilities
Mr. Lau Kin Chun (劉健俊先生)	47	Financial Controller	June 2021	November 2021	Responsible for the overall implementation of financial strategy of our Group
Ms. Liu Xiaohan (劉笑含女士)	39	Board Secretary	August 2011	May 2016	Responsible for Board related matters, capital markets and corporate governance of our Group

Mr. Lau Kin Chun (劉健俊先生), aged 47, is our Financial Controller. He was appointed as the Financial Controller of our Company in November 2021, and is primarily responsible for the overall implementation of financial strategy of our Group. He joined our Group in June 2021 and served as the deputy general manager in one of our subsidiaries. Prior to that, he held various positions in KPMG Huazhen LLP, from March 2008 to September 2019 and he was an audit partner of KPMG Huazhen LLP from October 2019 to May 2021.

Mr. Lau received both his bachelor's degree of Arts in Accountancy and master of Professional Accounting from Hong Kong Polytechnic University in Hong Kong in December 1999 and December 2005 respectively. He received his doctoral degree in Finance from Shanghai University of Finance and Economics (上海財經大學) in the PRC in June 2012. He has been a member of the Association of Chartered Certified Accountants (ACCA) since July 2003, a member of the Hong Kong Institute of Certified Public Accountants (HKICPA) since February 2004 and a member of The Chinese Institute of Certified Public Accountants (CICPA) since May 2015. He is also a Chartered Financial Analyst of the CFA Institute since September 2013.

Ms. Liu Xiaohan (劉笑含女士), aged 39, is our Board Secretary. She was appointed as the Board Secretary in May 2016 and is responsible for Board related matters, capital markets and corporate governance of our Group. Ms. Liu joined our Group in August 2011. She served as a deputy director in the securities legal department and the representative for securities affairs in our Group from April 2013 to May 2016.

Ms. Liu received her bachelor's degree and master's degree in Law from East China University of Political Science and Law (華東政法大學) in the PRC in July 2008 and June 2011 respectively. She obtained the legal professional qualification certificate (國家法律職業資格證) issued by the Bureau of Legal Professional Qualifications Administration (法律職業資格管理局) in the PRC in March 2010 and the qualification certificate of board secretary (董事會秘書資格證) issued by the Shanghai Stock Exchange (上海證券交易所) in September 2012.

None of our Directors, Supervisors and members of senior management is related to other Directors, Supervisors or members of senior management. Save as disclosed in this section, (i) none of our Directors, Supervisors or senior management members held any directorships in public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the Latest Practicable Date; and (ii) to the best knowledge, information and belief of the Directors and Supervisors having made all reasonable inquiries, there were no other matters with respect to the appointment of the Directors and Supervisors that need to be brought to the attention of the Shareholders and there was no information relating to our Directors and Supervisors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

JOINT COMPANY SECRETARIES

Ms. Liu Xiaohan (劉笑含女士) is currently our Board Secretary and has been appointed as a joint company secretary in December 2024, with effect from the [**REDACTED**]. For the biography of Ms. Liu, see "—Senior Management" in this section.

Ms. Leung Wing Han Sharon (梁穎嫻女士) has been appointed as a joint company secretary of our Company in December 2024, with effect from the [**REDACTED**]. Ms. Leung possesses more than 15 years of experience in the company secretary profession. She is familiar with the Listing Rules, the Companies Ordinance as well as compliance work for offshore companies. Ms. Leung is currently a director of Company Secretarial Services of Tricor Services Limited and has been providing corporate secretarial and compliance services to a portfolio of clients including multinational corporations.

Ms. Leung is a Chartered Secretary, a Chartered Governance Professional and a fellow member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. She is also a member of the Hong Kong Institute of Certified Public Accountants.

Ms. Leung received a bachelor's degree in Business Administration and a master's degree in Law.

CONFIRMATION FROM OUR DIRECTORS

Rule 3.09D of the Listing Rules

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules in December 2024, and (ii) understands his or her obligations as a director of a listed issuer under the Listing Rules.

Rule 3.13 of the Listing Rules

Each of the independent non-executive Directors has confirmed (i) his independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) 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 appointments.

DISCLOSURE UNDER RULE 8.10(2) OF THE LISTING RULES

As of the Latest Practicable Date, none of our Directors had an interest in any business which competes or is likely to compete (either directly or indirectly) with our business and would require disclosure under Rule 8.10(2) of the Listing Rules.

THE ASSOCIATE'S CONTROLLED GROUP

The spouse of Mr. Sun Piaoyang, Ms. Zhong Huijuan ("Ms. Zhong"), is a controlling shareholder and the chairlady of the board of Hansoh Pharmaceutical Group Company Limited (the "Associate's Controlled Company", and together with its subsidiaries, the "Associate's Controlled Group"), the shares of which are listed on the Hong Kong Stock Exchange. The Associate's Controlled Group is mainly engaged in the R&D, manufacturing and sales of pharmaceuticals in the PRC. In particular, based on publicly available information, the product portfolio of the Associate's Controlled Group focuses on oncology, anti-infectives, central nervous system diseases, and metabolic and other diseases.

Our Group has developed an extensive drug portfolio that strategically covers a wide spectrum of therapeutic areas with significant unmet medical needs and growth potential. As of the Latest Practicable Date, we had over 110 commercialized drugs. Our total revenue for each of the years ended December 31, 2022 and 2023 and the nine months ended September 30, 2024 amounted to RMB21.3 billion, RMB22.8 billion and RMB20.2 billion, respectively, and the Overlapping Products (as defined below) in aggregate accounted for less than 2% of our total revenue during each year/period of the Track Record Period.

Considering the scale and breadth of our product portfolio and the factors set out below, our Directors are satisfied that any potential competition between our Group and the Associate's Controlled Group would be limited and insignificant.

Insignificant competition with respect to limited Overlapping Products

Both our Group and the Associate's Controlled Group are listed pharmaceutical companies with diversified product portfolios. Based on information publicly available and from Frost & Sullivan in respect of the current product portfolios of our Group and the Associate's Controlled Group as of the Latest Practicable Date, the following products and product candidates of our Group (the "Overlapping Products") overlap or substantially overlap with products or product candidates of the Associate's Controlled Group, in terms of type of disease, severity of disease and patient characteristics addressed, as well as mechanism of action:

- **Type 2 diabetes**: Our Group's henagliflozin (RuiQin®, a SGLT-2 inhibitor), retagliptin (RuiZeTang®, a DPP-4 inhibitor), HRS-7535 (a GLP-1R agonist) and HRS9531 (a GLP-1 and GIP receptor dual agonist), each of which is approved or being developed for the treatment of type 2 diabetes, and for which the Associate's Controlled Group also has similar products or product candidates.

- **Anti-infectives**: Our Group's levofloxacin hydrochloride (LeLang®, a fluoroquinolone antibiotic) and ambroxol hydrochloride (BeiLai®, an antibiotic adjuvant), which are indicated for the treatment of various diseases including certain types of respiratory diseases, skin and soft tissue infection and genital infection (as applicable), and for which the Associate's Controlled Group also has similar products.

Nevertheless, any potential competition between our Group and the Associate's Controlled Group in respect of the above Overlapping Products would be insignificant, considering the following:

i. **Highly fragmented and sizeable market**. There is significant demand for type 2 diabetes treatments in the PRC. According to Frost & Sullivan, the number of diabetes patients in the PRC has been steadily increasing, rising from 125.7 million in 2018 to 143.4 million in 2023, with the majority being type 2 diabetes patients. Further, there is an extensive range of type 2 diabetes treatments available for lowering a patient's blood sugar levels, and over 300 manufacturers in the type 2 diabetes pharmaceutical market, including certain established first-to-market players. In the context of this competitive landscape, neither our Group nor the Associate's Controlled Group currently occupies a notable share in such market that would constitute actual competition. In addition to the foregoing, considering that there are over 100 pharmaceutical companies developing GLP-1 and GIP/GLP-1 receptor agonist product candidates according to Frost & Sullivan, it is expected that none of our GLP-1 and GIP/GLP-1 receptor agonist product candidates set out above would, once commercialized, occupy a market share significant enough to generate any actual competition with the Associate's Controlled Group in the foreseeable future. Further, the key market players with respect to the Overlapping Products for the treatment of type 2 diabetes in China's pharmaceutical market at

present constitute of certain multinational pharmaceutical companies. Our Group primarily seeks to compete with such manufacturers to capture a greater portion of market share, including through the development and sale of innovative combination drugs, rather than with the Associate's Controlled Group.

According to Frost & Sullivan, there is also a very large market for the manufacturing of anti-infective products in the PRC, with over 400 pharmaceutical companies engaging in the manufacturing of the same type of products as the two overlapping anti-infective products set out above. As such, neither our Group nor the Associate's Controlled Group occupies a notable portion of the market share in such market to materialize any actual competition.

ii. **Multiple indications and diverse usages**. The product and product candidates of our Group may also be indicated for a range of different therapeutic areas. For instance, in addition to being indicated for the treatment of type 2 diabetes, our henagliflozin is being developed for the treatment of chronic kidney disease, for which there is a significant addressable patient population, and which is not catered for by the corresponding products of the Associate's Controlled Group. As for the GLP-1R agonist and GLP-1 and GIP receptor dual agonist product candidates of our Group, these are also being developed for indications other than type 2 diabetes, such as diabetic kidney disease, and the treatment of other obesity related indications including obstructive sleep apnea (OSA), polycystic ovary syndrome (PCOS), and heart failure with preserved ejection fraction (HFpEF), for which there is significant market demand and are not catered for by the corresponding product and product candidates of the Associate's Controlled Group.

In addition, our henagliflozin and retagliptin are in-house developed proprietary products, whereas the corresponding SGLT-2 inhibitors and DPP-4 inhibitors of the Associate's Controlled Group are generic drugs. Proprietary drugs are distinct from generic drugs in terms of the complexity of R&D involved, and in terms of being patent-protected and generally offering a more innovative solution.

Well-differentiated product portfolio in a highly fragmented market

Other than the Overlapping Products, our pharmaceutical products being sold or in our pipeline are well-delineated from those of the Associate's Controlled Group. Even where the products (such as certain breast cancer and NSCLC products) may serve a common therapeutic area, they are differentiated in terms of (i) type of disease and severity of disease, (ii) patient characteristics and/or (iii) mechanism of action. In addition, certain products may have other applicable indications or adjunctive therapy options. For instance, although certain products may serve a common therapeutic area, each of our products and/or the corresponding products of the Associate's Controlled Group may also be indicated for a range of other indications. Further, in some cases our products may be used in adjunctive therapy to serve distinctive patient populations than those targeted by the corresponding products of the Associate's Controlled Group.

In addition, the pharmaceutical industry in the PRC is highly fragmented and sizeable, with more than 10,000 pharmaceutical companies in the market. There is significant demand for pharmaceutical products and a vast number of market players in the PRC, such that we believe neither our Group nor the Associate's Controlled Group can occupy a notable portion of the market share in respect of the relevant common therapeutic areas, being well-established pharmaceutical markets, to materialize any actual competition.

Separate listed companies with robust internal controls and systems

Our Company and the Associate's Controlled Company have been listed companies on the Shanghai Stock Exchange and Hong Kong Stock Exchange since 2000 and 2019, respectively, each with its separate and independent management, operations and finance functions. Our Group and the Associate's Controlled Group do not rely on each other for products, suppliers, customers, production facilities and equipment, R&D, intellectual property, staffing or marketing. Our transactions with the Associate's Controlled Group that are expected to continue after the [**REDACTED**] are of insignificant value to our Group, and will therefore constitute fully exempt continuing connected transactions of our Company under the Listing Rules. Please see the section headed "Connected Transactions" in this document for more details.

In addition, we have adopted corporate governance measures to manage potential conflicts of interest, if any, between our Group and the Associate's Controlled Group. For example, we have internal control mechanisms and policies for identifying related party and connected transactions, to ensure that our Shareholders or Directors with conflicting interests in a proposed transaction will abstain from voting on the relevant resolutions. We have also established robust internal controls and adopted risk management policies across various aspects of our business operations. Please see the section headed "Business—Risk Management and Internal Control" in this document for further details.

MANAGEMENT AND CORPORATE GOVERNANCE

Board Committee

We have established four Board Committees in accordance with the relevant laws and regulations in mainland China, the Articles and the code of corporate governance practices under the Listing Rules, namely the Audit Committee, the Remuneration and Evaluation Committee, the Nomination Committee and the Strategy Committee. The functions of the four committees are summarized as follows:

Audit Committee

We have established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system of our Group, review and supervise

the work of internal and external auditors and provide advice and comments to the Board. The Audit Committee comprises three members, namely Mr. Zeng Qingsheng, Mr. Dong Jiahong and Mr. Sun Jinyun, with Mr. Zeng Qingsheng as the chairperson of the Audit Committee and is the director appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules.

Remuneration and Evaluation Committee

We have established the Remuneration and Evaluation Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The primary duties of the Remuneration and Evaluation Committee are to review and make recommendations to the Board on the terms of remuneration packages, bonuses and other compensation payable to our Directors and other senior management. The Remuneration and Evaluation Committee comprises three members, Mr. Sun Jinyun, Mr. Dai Hongbin and Mr. Zeng Qingsheng, with Mr. Sun Jinyun as the chairperson of the Remuneration and Evaluation Committee.

Nomination Committee

We have established a Nomination Committee with written terms of reference in compliance with Rule 3.27A of the Listing Rules and the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The primary duties of the Nomination Committee are to make recommendations to our Board on the appointment of Directors and management of Board succession. The Nomination Committee comprises three members, namely Mr. Dong Jiahong, Mr. Sun Piaoyang and Mr. Sun Jinyun, with Mr. Dong Jiahong as the chairperson of the Nomination Committee.

Strategy Committee

We have established the Strategy Committee with written terms of reference. The primary duties of the Strategy Committee are to make recommendations to our Board on the long-term development strategy and major investments and projects of our Company. The Strategy Committee comprises six members, namely Mr. Sun Piaoyang, Mr. Dai Hongbin, Mr. Zhang Lianshan, Mr. Jiang Frank Ningjun, Ms. Guo Congzhao and Mr. Dong Jiahong, with Mr. Sun Piaoyang as the chairperson of the Strategy Committee.

CORPORATE GOVERNANCE CODE

We aim to achieve high standards of corporate governance which are crucial to our development and safeguard the interests of our Shareholders. To accomplish this, we expect to comply with the Corporate Governance Code set out in Appendix C1 of the Listing Rules after the [**REDACTED**].

Board Diversity Policy

Our Company has adopted a board diversity policy (the "Board Diversity Policy") which sets out the approach to achieving diversity of the Board. Our Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level, including gender diversity, as an essential element in maintaining our Company's competitive advantage and enhancing our ability to attract, retain and motivate employees from the widest possible pool of available talent. In reviewing and assessing suitable candidates to serve as a director of our Company, the Nomination Committee will take into account the Board Diversity Policy. In considering a nomination, the Company will consider a number of factors, including but not limited to skills, regional and industry experience, professional experience, cultural and educational background, gender and age. In particular, our Company currently has one female Director on the Board.

Our Directors have a balanced mix of knowledge and skills, and we have five non-executive Directors, including four independent non-executive Directors, with different industry backgrounds. Our Directors are diverse in terms of age, gender and background. Taking into account our existing business model and specific needs as well as the different backgrounds of our Directors, the composition of our Board satisfies our Board Diversity Policy. The Board will review the Board Diversity Policy periodically to evaluate its effectiveness.

Management Presence

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong. This will normally mean that at least two of its executive directors must be ordinarily resident in Hong Kong. We do not have sufficient management presence in Hong Kong for the purposes of Rule 8.12 of the Listing Rules.

We have applied for, and the Stock Exchange [has granted], a waiver from compliance with Rules 8.12 19A.15 of the Listing Rules. For further details, see "Waivers from Strict Compliance with the Listing Rules—Management Presence in Hong Kong."

REMUNERATION

Our Directors, Supervisors and senior management receive their remuneration in the form of basic payments and/or performance-related payments, including fees, salaries, bonuses, allowances, benefits in kind and pension scheme contributions. For details of the service contracts and appointment letters that we have entered into with our Directors and Supervisors, see the section headed C. Further Information About Our Directors, Supervisors and Substantial Shareholders—2. Particulars of Service Contracts and Appointment Letters in Appendix VI to this document.

Further information on the remuneration of our Directors, Supervisors and/or the five highest paid individuals during the Track Record Period is set out in the Accountants' Report in Appendix I to this document, and in the section headed "C. Further Information About Our Directors, Supervisors and Substantial Shareholders—3. Directors' and Supervisors' Remuneration" in Appendix VI to this document. Save as disclosed, the Directors are not entitled to receive any other special benefits from our Company. The compensation of the Directors is determined by the Board which, following [**REDACTED**], will receive recommendations from the Remuneration and Evaluation Committee which will take into account applicable laws, rules and regulations.

COMPLIANCE ADVISOR

We have appointed Somerley Capital Limited as our compliance advisor (the "Compliance Advisor") upon the [**REDACTED**] in compliance with Rule 3A.19 of the Listing Rules. The compliance advisor will provide us with guidance and advice as to compliance with the requirements under the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, the compliance advisor will advise our Company, among others, in the following circumstances:

(a) before the publication of any regulatory announcement, circular, or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(c) where we propose to use the [**REDACTED**] of the [**REDACTED**] in a manner different from that detailed in this document or where the business activities, development or results of our Group deviate from any forecast, estimate or other information in this document; and

(d) where the Hong Kong Stock Exchange makes an inquiry to our Company regarding unusual movements in the price or trading volume of its listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of appointment of the compliance advisor shall commence on the [**REDACTED**] and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the [**REDACTED**] and such appointment may be subject to extension by mutual agreement.

Upon [**REDACTED**], certain transactions between us and our connected persons will constitute continuing connected transactions under Chapter 14A of the Listing Rules.

OUR CONNECTED PERSONS

The following persons, with whom we have entered into certain transactions in our ordinary course of business, will become our connected persons as defined under the Listing Rules upon [**REDACTED**]:

Name of our Connected Persons	Connected Relationship
Jiangsu Hansoh Pharmaceutical Group Co., Ltd. (江蘇豪森藥業集團有限公司) ("Jiangsu Hansoh") (together with its subsidiaries, "Jiangsu Hansoh Group")	Jiangsu Hansoh is controlled by the spouse of Mr. Sun Piaoyang.
Suzhou Hengrui Medical Devices Co., Ltd. (蘇州恒瑞醫療器械有限公司) ("Suzhou Medical Devices", together with its subsidiaries, "Suzhou Medical Devices Group") and Suzhou Hengrui Health Technology Co., Ltd. (蘇州恒瑞健康科技有限公司) ("Suzhou Health Technology")	Each of Suzhou Medical Devices and Suzhou Health Technology is controlled by a family member of Mr. Sun Piaoyang.
Jiangsu Alvin Medical Management Co., Ltd. (江蘇阿爾文醫療管理有限公司) ("Alvin Medical")	Alvin Medical is a subsidiary of Hengrui Group, a substantial shareholder of our Company.

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have entered into the following types of transactions with our connected persons at the issuer level, which were entered into on normal commercial terms or better and are expected to continue after the [**REDACTED**]. Our Directors currently expect that the highest applicable percentage ratio in respect of the aggregate transaction amount of transactions within each such category as set out below, calculated for the purpose of Chapter 14A of the Listing Rules, will be less than 0.1% on an annual basis. Under Rule 14A.76(1) of the Listing Rules, these transactions will be fully exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements.

1. Provision of materials and technical research services

We have entered into, and will continue to enter into [**REDACTED**], certain agreements with Jiangsu Hansoh Group, pursuant to which we (i) supply raw materials such as pharmaceutical excipients, as well as medical accessories such as syringe parts; and (ii) provide technical research services such as preclinical animal studies.

The pricing of the aforementioned materials and services supplied by us shall be determined based on arm's length negotiations between us and the relevant member of Jiangsu Hansoh Group. In particular, prices for raw materials and medical accessories shall be calculated with reference to costs, quantities and specifications of the relevant product and the prevailing market rates. Fees for the technical research services shall be determined with reference to the nature, duration and complexity of the services, type of research output required, costs incurred by our Group in rendering such services, as well as prevailing market rates for similar services.

2. Provision of medical accessories, and procurement of medical device development services and medical products and other goods

We have entered into, and will continue to enter into [**REDACTED**], certain agreements with Suzhou Medical Devices Group and Suzhou Health Technology, pursuant to which we (i) supply medical accessories such as syringe parts to Suzhou Medical Devices Group; (ii) procure medical device development services from Suzhou Medical Devices Group for our in-house clinical development purposes; and (iii) purchase medical products, such as pharmaceutical solvents and medical accessories, from Suzhou Medical Devices Group as well as health foods for our clinical research from Suzhou Health Technology.

The pricing of the aforementioned products and services supplied and/or procured by us shall be determined based on arm's length negotiations between us and Suzhou Health Technology or the relevant member of Suzhou Medical Devices Group (as the case may be). In particular, prices for medical accessories sold by our Group shall be calculated with reference to costs, quantities and specifications of the relevant product and the prevailing market rates. With respect to the fees payable for medical device development services, such fees shall be determined with reference to the specifications for the relevant devices, resources required by Suzhou Medical Devices Group in rendering such services including personnel and materials needed, as well as the fee rates for similar services chargeable by Independent Third Parties. Prices for the medical products and other goods purchased from Suzhou Medical Devices Group and Suzhou Health Technology shall be determined with reference to costs, quantities and specifications of the relevant product and the prices of comparable products offered by Independent Third Parties.

3. Provision of construction management services

We have entered into a construction management service agreement with Alvin Medical on June 7, 2022, the term of which shall expire in the second half of 2025. Pursuant to this agreement, we provided comprehensive management services, including construction preparation and implementation, for Alvin Medical's building construction project. The fee payable by Alvin Medical was determined based on arm's length negotiations, having taken into account the costs incurred by our Group in providing such services during various stages of the construction and prevailing market rates.

SHARE CAPITAL

The following is a description of the share capital of our Company before and immediately following completion of the [**REDACTED**].

As of the Latest Practicable Date

As of the Latest Practicable Date, the registered and issued share capital of our Company was RMB6,379,002,274, comprising 6,379,002,274 A Shares with a nominal value of RMB1.00 each, all of which are listed on the Shanghai Stock Exchange. This includes 627,310 A Shares repurchased by our Company pursuant to repurchase mandates approved by our Board and held in our Company's stock repurchase account.

Immediately after Completion of the [**REDACTED**]

Immediately after the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), the share capital of our Company will be as follows.

Description of Shares	Number of Shares	Approximate percentage of the enlarged issued share capital after the [REDACTED]
A Shares in issue*	6,379,002,274	[**REDACTED**]
H Shares to be issued under the [**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Total	[**REDACTED**]	100%

Note:

* Including 627,310 A Shares repurchased and held in our Company's stock repurchase account (assuming no changes are made to the number of repurchased shares held in our Company's stock repurchase account between the Latest Practicable Date and [**REDACTED**]), pursuant to repurchase mandates approved by our Board.

SHARES OF OUR COMPANY

Upon the completion of the [**REDACTED**], our H Shares in issue and our A Shares are ordinary Shares in the share capital of our Company, and are considered as one class of Shares. However, apart from certain qualified domestic institutional investors in mainland China, the qualified investors in mainland China under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect (if our H Shares are eligible securities for that purpose) and other persons who are entitled to hold our H Shares pursuant to relevant PRC law or upon approvals of any competent authorities, H Shares generally cannot be subscribed for by, or traded between, legal or natural persons in mainland China.

Shanghai-Hong Kong Stock Connect has established a stock connect mechanism between mainland China and Hong Kong. Our A Shares can be subscribed for and traded by investors in mainland China, qualified foreign institutional investors or qualified foreign strategic investors and must be traded in Renminbi. As our A Shares are eligible securities under the Northbound Trading Link, they can also be subscribed for and traded by Hong Kong and other overseas investors pursuant to the rules and limits of Shanghai-Hong Kong Stock Connect. If our H Shares are eligible securities under the Southbound Trading Link, they can also be subscribed for and traded by investors in mainland China in accordance with the rules and limits of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

RANKING

Except for the differences set out in "—Shares of our Company" above, H Shares and our A Shares are regarded as one class of Shares under our Articles of Association and will rank *pari passu* with each other in all other respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this document. Dividends in respect of our H Shares are to be paid by us in Hong Kong dollars whereas dividends in respect of our A Shares are to be paid by us in Renminbi. In addition to cash, dividends may also be distributed in the form of Shares. Holders of our H Shares will receive share dividends in the form of H Shares, and holders of our A Shares will receive share dividends in the form of A Shares.

NO CONVERSION OF OUR A SHARES INTO H SHARES FOR [REDACTED] AND [REDACTED] ON THE HONG KONG STOCK EXCHANGE

Our A Shares and our H Shares are generally neither interchangeable nor fungible, and the [**REDACTED**] of our A Shares and our H Shares may be different after the [**REDACTED**]. The Guidelines on Application for "Full Circulation" of Domestic Unlisted Shares of H-share Companies (《H股公司境內未上市股份申請"全流通"業務指引》) announced by the CSRC are not applicable to companies dual [**REDACTED**] in the PRC and on the [**REDACTED**]. As of the Latest Practicable Date, there were no relevant rules or guidelines from the CSRC providing that A Shareholders may convert A shares held by them into H shares for [**REDACTED**] and [**REDACTED**] on the Hong Kong Stock Exchange.

APPROVAL FROM HOLDERS OF A SHARES REGARDING THE [REDACTED]

Approval from holders of A Shares is required for our Company to [**REDACTED**] H Shares and seek the [**REDACTED**] of H Shares on the [**REDACTED**]. Such approval was obtained by us at the shareholders' meeting of our Company held on December 26, 2024 and is subject to, among other things, the following conditions:

(i) *Size of the* [**REDACTED**]. The proposed number of H Shares to be [**REDACTED**] shall not exceed [**REDACTED**] of the total issued share capital enlarged by the H Shares to be [**REDACTED**] pursuant to the [**REDACTED**] (before the exercise of the [**REDACTED**]). The number of H Shares to be [**REDACTED**] pursuant to the full exercise of the [**REDACTED**] shall not exceed [**REDACTED**] of the total number of H Shares to be [**REDACTED**] initially under the [**REDACTED**].

(ii) *Method of* [**REDACTED**]. The method of [**REDACTED**] shall be by way of an [**REDACTED**] to [**REDACTED**] and a [**REDACTED**] for subscription in Hong Kong.

(iii) *Target investors.* The H Shares shall be [**REDACTED**] to [**REDACTED**] in Hong Kong under the [**REDACTED**], and [**REDACTED**], qualified domestic institutional [**REDACTED**] in mainland China and other [**REDACTED**] who are approved by mainland Chinese regulatory bodies to [**REDACTED**] abroad in the [**REDACTED**].

(iv) [**REDACTED**] *basis.* The [**REDACTED**] of the H Shares will be determined, among others, after due consideration of the interests of existing shareholders of our Company, the domestic and overseas capital market conditions and market subscription levels through the book building process.

(v) *Validity period.* The [**REDACTED**] of H Shares and [**REDACTED**] of H Shares on the [**REDACTED**] shall be completed within 18 months from the date when the shareholders' meeting was held on December 26, 2024. If the Company has obtained approval or filing from relevant regulatory bodies for the issuance and [**REDACTED**] of the H Shares within such validity period, the validity period of the resolution will automatically be extended to the completion of the issuance and [**REDACTED**] of the H Shares.

SHAREHOLDERS' MEETINGS

For details of circumstances under which our Shareholders' meeting are required, please see the section headed "Summary of the Articles of Association—General Provisions for Shareholders' Meetings" in Appendix V to this document.

A SHARE EMPLOYEE STOCK OWNERSHIP SCHEMES

Our Company has adopted the 2022 Employee Stock Ownership Scheme, the 2023 Employee Stock Ownership Scheme and the 2024 Employee Stock Ownership Scheme, pursuant to which our Company will repurchase A Shares from the open market, and such A Shares will be transferred to the respective stock ownership scheme to which relevant participants, being certain employees of our Group, are entitled to a corresponding portion of. For details, please refer to the section headed "Statutory and General Information—D. A Share Employee Stock Ownership Schemes" in Appendix VI to this document.

So far as our Directors are aware, immediately following the completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised), the following persons will have an interest or a short position in the Shares or the underlying Shares which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO, or, will be, 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:

				As of the Latest Practicable Date	Immediately following completion of the [REDACTED]	
Name of Shareholder	Nature of interest	Description of Shares	Number of Shares held	Approximate percentage of shareholding in our total Share capital	Approximate percentage of shareholding in our A Shares	Approximate percentage of shareholding in our total Share capital
Hengrui Group [(1)]	Beneficial owner	A Shares	1,538,184,187	24.11%	[**REDACTED**]	[**REDACTED**]
Tibet Dayuan[(2)]	Beneficial owner	A Shares	952,752,304	14.94%	[**REDACTED**]	[**REDACTED**]

Notes:

(1) As of the Latest Practicable Date, Mr. Sun Piaoyang, our chairman of the Board and one of our executive Directors, held an 89.2% equity interest in Hengrui Group. Therefore by virtue of the SFO, Mr. Sun is deemed to be interested in the A Shares held by Hengrui Group. Mr. Sun is also the director and general manager of Hengrui Group as of the Latest Practicable Date.

(2) As of the Latest Practicable Date, (i) Tibet Dayuan was held as to approximately 79.2% by Shanghai Qianying Enterprise Management Partnership (Limited Partnership) (上海芊盈企業管理合夥企業(有限合夥)), whose general partner is Shenzhen Yingtai Asset Management Co., Ltd. (深圳市迎泰資產管理有限公司); and (ii) Mr. Cen Junda (岑均達) directly held 100% equity interest in Shenzhen Yingtai Asset Management Co., Ltd. Therefore by virtue of the SFO, each of Mr. Cen Junda, Shenzhen Yingtai Asset Management Co., Ltd. and Shanghai Qianying Enterprise Management Partnership (Limited Partnership) are deemed to be interested in the A Shares held by Tibet Dayuan.

Save as disclosed above, our Directors are not aware of any persons who will, immediately following completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), have interests or short positions in Shares or underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, 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.

FUTURE PLANS

See the section headed "Business—Our Strategies" for a detailed description of our future plans.

[REDACTED]

The table below sets forth the estimated [**REDACTED**] of the [**REDACTED**] that we will receive after deduction of [**REDACTED**] and other estimated expenses payable by us in connection with the [**REDACTED**]:

[**REDACTED**]

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

- Approximately [**REDACTED**], or [**REDACTED**] million, will be allocated to our R&D initiatives:
    - Approximately [**REDACTED**], or [**REDACTED**] million, will be allocated to clinical studies for our innovative drugs and drug candidates, including (i) advancing clinical trials for our innovative drug candidates, including carrying out overseas clinical studies for our innovative drugs for the global market; and (ii) advancing clinical trials to expand the indication coverage of our commercialized innovative drugs.

  - Approximately [**REDACTED**], or [**REDACTED**] million, will be allocated to developing new innovative drugs, including (i) enhancing our discovery of potentially first-in-class or best-in-class molecules, validating molecule candidates through translational research, and advancing innovative drug candidates from preclinical studies to the clinical stage; (ii) developing effective monotherapies and combination therapies that offer better safety and efficacy to satisfy unmet medical needs; and (iii) bolstering our global R&D capabilities through technology platform upgrade and strengthening our scientific research, clinical development, CMC teams, particularly to recruit top-notch R&D talent with international exposure.

  - Approximately [**REDACTED**], or [**REDACTED**] million, will be allocated to potential acquisitions and collaborations globally to strengthen our product pipeline and innovation capabilities. We will focus on opportunities to address significant unmet medical needs for innovative drugs, particularly in our major therapeutic areas. Specifically, we will explore in-licensing and co-development opportunities for drug candidates that feature innovative modalities or MOAs with great market potential, by collaborating with leading global pharmaceutical companies, universities, and research institutes. Additionally, we plan to selectively acquire or invest in pharmaceutical or biotechnology companies with attractive drug assets or strong R&D capabilities. As of the Latest Practicable Date, we had not identified any specific targets for acquisitions or investments, or entered into any investment agreement, to which we will apply these [**REDACTED**].

- Approximately [**REDACTED**], or [**REDACTED**] million, will be allocated to fund the construction of new production and R&D facilities in China and overseas markets. We also intend to expand or upgrade our existing production facilities in China to support our production and the ongoing commercialization of our innovative products and meet the growing demand for these products. However, as of the Latest Practicable Date, we had not formed any specific construction or expansion plan, to which we will apply these [**REDACTED**].

- The remaining amount of approximately [**REDACTED**], or [**REDACTED**] million, will be used to provide funding for our working capital and other general corporate purposes.

If the [**REDACTED**] is fixed at the high end (low end) of the [**REDACTED**] stated in this document and assuming the [**REDACTED**] is not exercised, our [**REDACTED**] will increase (decrease) by approximately [**REDACTED**] million. The above allocation of 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 estimated [**REDACTED**].

[**REDACTED**]

We will only place the [**REDACTED**] of the [**REDACTED**] that are not immediately required for the above purposes in accounts at licensed commercial banks and/or authorized financial institutions as defined under the Securities and Futures Ordinance or applicable laws and regulations in other jurisdictions so long as it is deemed to be in the best interests of our Company. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

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[**REDACTED**]

The following is the text of a report received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Document.

"***[To insert the firm's letterhead]***"

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF JIANGSU HENGRUI PHARMACEUTICALS CO., LTD., MORGAN STANLEY ASIA LIMITED, CITIGROUP GLOBAL MARKETS ASIA LIMITED AND HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED

Introduction

We report on the historical financial information of Jiangsu Hengrui Pharmaceuticals Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages [●] to [●], which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended December 31, 2022 and 2023 (the "Relevant Periods"), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at December 31, 2022 and 2023 and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages [●] to [●] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [Date] (the "Document") in connection with the initial [**REDACTED**] of the shares of the Company on the [**REDACTED**].

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at December 31, 2022 and 2023 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Review of interim and interim comparative financial information

We have reviewed the interim financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group for the nine months ended September 30, 2024 and the consolidated statement of financial position of the Group and the statement of financial position of the Company as at September 30, 2024 and other explanatory information and the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group for the nine months ended September 30, 2023 and other explanatory information (the "Interim and Interim Comparative Financial Information").

The directors of the Company are responsible for the preparation of the Interim and Interim Comparative Financial Information in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim and Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A

review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim and Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page [●] have been made.

Dividends

We refer to note 12 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Periods and the nine months ended September 30, 2023 and 2024.

[●]
Certified Public Accountants
Hong Kong

I HISTORICAL FINANCIAL INFORMATION

PREPARATION OF HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended December 31,		Nine months ended September 30,	
		2022	2023	2023	2024
		RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000 (unaudited)*
REVENUE	*5*	21,275,271	22,819,785	17,013,632	20,189,304
Cost of sales		(3,486,639)	(3,525,248)	(2,657,554)	(2,833,183)
Gross profit		17,788,632	19,294,537	14,356,078	17,356,121
Other income and gains	*5*	1,371,215	1,033,784	676,755	815,624
Selling and distribution expenses		(7,347,894)	(7,577,176)	(5,408,551)	(6,109,288)
Research and development expenses		(4,886,553)	(4,953,887)	(3,725,495)	(4,548,870)
Administrative expenses		(2,498,159)	(2,644,551)	(1,857,111)	(2,067,631)
Other expenses	*6*	(389,262)	(406,996)	(177,441)	(301,674)
Finance costs	*8*	(6,491)	(5,905)	(4,743)	(3,314)
Share of losses of associates		(62,996)	(72,696)	(47,115)	(54,228)
PROFIT BEFORE TAX	*7*	3,968,492	4,667,110	3,812,377	5,086,740
Income tax expenses	*11*	(153,351)	(389,289)	(361,347)	(470,410)
PROFIT FOR THE YEAR/PERIOD		3,815,141	4,277,821	3,451,030	4,616,330
Attributable to:					
Owners of the parent		3,906,374	4,302,436	3,473,779	4,619,576
Non-controlling interests		(91,233)	(24,615)	(22,749)	(3,246)
		3,815,141	4,277,821	3,451,030	4,616,330
OTHER COMPREHENSIVE INCOME					
Other comprehensive income/(expense) that may be reclassified to profit or loss in subsequent periods:					
Exchange differences:					
Exchange differences on translation of foreign operations		15,869	17,841	14,004	(12,631)
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR/PERIOD, NET OF TAX		15,869	17,841	14,004	(12,631)

	Notes	Year ended December 31,		Nine months ended September 30,	
		2022	2023	2023	2024
		RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000 (unaudited)*
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		3,831,010	4,295,662	3,465,034	4,603,699
Attributable to:					
Owners of the parent		3,921,145	4,318,530	3,484,696	4,608,077
Non-controlling interests		(90,135)	(22,868)	(19,662)	(4,378)
		3,831,010	4,295,662	3,465,034	4,603,699
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT					
Basic (RMB)	*13*	0.61	0.68	0.55	0.73
Diluted (RMB)	*13*	0.61	0.68	0.55	0.73

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	December 31, 2022	December 31, 2023	September 30, 2024
		RMB'000	*RMB'000*	*RMB'000 (unaudited)*
NON-CURRENT ASSETS				
Property, plant and equipment	*14*	6,947,491	6,888,464	6,880,682
Intangible assets	*15*	1,730,679	2,917,808	4,131,077
Right-of-use assets	*16*	569,631	535,527	564,122
Investments in associates	*17*	767,862	694,991	633,707
Other non-current assets	*18*	442,550	383,298	423,228
Financial assets at fair value through profit or loss ("FVTPL")	*22*	739,711	756,391	835,070
Deferred tax assets	*27*	238,897	320,556	413,245
Total non-current assets		11,436,821	12,497,035	13,881,131
CURRENT ASSETS				
Inventories	*19*	2,450,575	2,314,026	2,530,975
Trade and bills receivables	*20*	8,341,471	6,134,907	6,792,226
Prepayments, other receivables and other assets	*21*	2,270,834	1,993,384	2,228,299
Financial assets at FVTPL	*22*	2,760,494	99,050	773,721
Pledged deposits	*23*	250	–	7,985
Cash and bank balances	*23*	15,110,430	20,746,105	22,123,761
Total current assets		30,934,054	31,287,472	34,456,967
CURRENT LIABILITIES				
Trade and other payables	*24*	2,187,171	2,296,285	2,369,223
Interest-bearing borrowings	*26*	1,260,943	–	–
Income tax payables		4,030	59,284	182,969
Contract liabilities	*25*	187,075	198,091	1,277,374
Total current liabilities		3,639,219	2,553,660	3,829,566
NET CURRENT ASSETS		27,294,835	28,733,812	30,627,401
TOTAL ASSETS LESS CURRENT LIABILITIES		38,731,656	41,230,847	44,508,532

	Notes	December 31, 2022	December 31, 2023	September 30, 2024
		RMB'000	*RMB'000*	*RMB'000 (unaudited)*
NON-CURRENT LIABILITIES				
Lease liabilities	*16*	98,861	75,176	51,305
Deferred income		119,440	38,950	42,550
Deferred tax liabilities	*27*	100,447	83,635	83,159
Total non-current liabilities		318,748	197,761	177,014
Net assets		38,412,908	41,033,086	44,331,518
EQUITY				
Equity attributable to owners of the parent				
Share capital	*28*	6,379,002	6,379,002	6,379,002
Treasury shares	*28*	(398,028)	(1,091,851)	(1,288,759)
Reserves	*29*	31,842,586	35,178,644	38,677,665
		37,823,560	40,465,795	43,767,908
Non-controlling interests		589,348	567,291	563,610
Total equity		38,412,908	41,033,086	44,331,518

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended December 31, 2022

	Attributable to owners of the parent								
	Share capital	Treasury shares	Share premium*	Other reserves*	Surplus reserve*	Retained profits*	Total	Non-controlling interests	Total
	RMB'000 (note 28)	*RMB'000 (note 28)*	*RMB'000 (note 29)*	*RMB'000 (note 29)*	*RMB'000 (note 29)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2022	6,396,012	(664,935)	3,217,434	126,592	3,054,743	22,872,798	35,002,644	568,847	35,571,491
Profit for the year	–	–	–	–	–	3,906,374	3,906,374	(91,233)	3,815,141
Other comprehensive income for the year:									
Exchange differences on translation of foreign operations	–	–	–	14,771	–	–	14,771	1,098	15,869
Total comprehensive income for the year	–	–	–	14,771	–	3,906,374	3,921,145	(90,135)	3,831,010
Final 2021 dividend declared and paid	–	–	–	–	–	(1,020,466)	(1,020,466)	–	(1,020,466)
Appropriation to statutory surplus reserve	–	–	–	–	244,169	(244,169)	–	–	–
Capital injections from non-controlling shareholders of subsidiaries	–	–	–	274,902	–	–	274,902	103,961	378,863
Repurchase and cancelation of restricted A shares	(17,010)	664,935	(650,760)	–	–	5,670	2,835	–	2,835
Repurchase of shares under A share stock ownership scheme	–	(398,028)	–	–	–	–	(398,028)	–	(398,028)
Recognition of equity-settled share-based payments expense *(note 30)*	–	–	–	32,061	–	–	32,061	–	32,061
Others	–	–	–	8,467	–	–	8,467	6,675	15,142
At December 31, 2022	6,379,002	(398,028)	2,566,674	456,793	3,298,912	25,520,207	37,823,560	589,348	38,412,908

Year ended December 31, 2023

	Attributable to owners of the parent								
	Share capital	Treasury shares	Share premium*	Other reserves*	Surplus reserve*	Retained profits*	Total	Non-controlling interests	Total
	RMB'000 (note 28)	*RMB'000 (note 28)*	*RMB'000 (note 29)*	*RMB'000 (note 29)*	*RMB'000 (note 29)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2023	6,379,002	(398,028)	2,566,674	456,793	3,298,912	25,520,207	37,823,560	589,348	38,412,908
Profit for the year	–	–	–	–	–	4,302,436	4,302,436	(24,615)	4,277,821
Other comprehensive income for the year:									
Exchange differences on translation of foreign operations	–	–	–	16,094	–	–	16,094	1,747	17,841
Total comprehensive income for the year	–	–	–	16,094	–	4,302,436	4,318,530	(22,868)	4,295,662
Final 2022 dividend declared and paid	–	–	–	–	–	(1,019,873)	(1,019,873)	–	(1,019,873)
Shares under A share stock ownership scheme vested *(note 30)*	–	133,442	72,087	(185,534)	–	–	19,995	–	19,995
Repurchase of shares under A share stock ownership scheme	–	(827,265)	–	–	–	–	(827,265)	–	(827,265)
Recognition of equity-settled share-based payments expense *(note 30)*	–	–	–	165,848	–	–	165,848	811	166,659
Others	–	–	–	(15,000)	–	–	(15,000)	–	(15,000)
At December 31, 2023	6,379,002	(1,091,851)	2,638,761	438,201	3,298,912	28,802,770	40,465,795	567,291	41,033,086

Nine months ended September 30, 2023 (unaudited)

	Attributable to owners of the parent								
	Share capital	Treasury shares	Share premium	Other reserves	Surplus reserve	Retained profits	Total	Non-controlling interests	Total
	RMB'000 (note 28)	*RMB'000 (note 28)*	*RMB'000 (note 29)*	*RMB'000 (note 29)*	*RMB'000 (note 29)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2023	6,379,002	(398,028)	2,566,674	456,793	3,298,912	25,520,207	37,823,560	589,348	38,412,908
Profit for the period	–	–	–	–	–	3,473,779	3,473,779	(22,749)	3,451,030
Other comprehensive income for the period:									
Exchange differences on translation of foreign operations	–	–	–	10,917	–	–	10,917	3,087	14,004
Total comprehensive income for the period	–	–	–	10,917	–	3,473,779	3,484,696	(19,662)	3,465,034
Final 2022 dividend declared and paid	–	–	–	–	–	(1,019,873)	(1,019,873)	–	(1,019,873)
Repurchase of shares under A share stock ownership scheme	–	(802,637)	–	–	–	–	(802,637)	–	(802,637)
Recognition of equity-settled share-based payments expense *(note 30)*	–	–	–	150,907	–	–	150,907	–	150,907
At September 30, 2023 (unaudited)	6,379,002	(1,200,665)	2,566,674	618,617	3,298,912	27,974,113	39,636,653	569,686	40,206,339

Nine months ended September 30, 2024 (unaudited)

	Attributable to owners of the parent								
	Share capital	Treasury shares	Share premium*	Other reserves*	Surplus reserve*	Retained profits*	Total	Non-controlling interests	Total
	RMB'000 (note 28)	*RMB'000 (note 28)*	*RMB'000 (note 29)*	*RMB'000 (note 29)*	*RMB'000 (note 29)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2024	6,379,002	(1,091,851)	2,638,761	438,201	3,298,912	28,802,770	40,465,795	567,291	41,033,086
Profit for the period	–	–	–	–	–	4,619,576	4,619,576	(3,246)	4,616,330
Other comprehensive income for the period:									
Exchange differences on translation of foreign operations	–	–	–	(11,499)	–	–	(11,499)	(1,132)	(12,631)
Total comprehensive income for the period	–	–	–	(11,499)	–	4,619,576	4,608,077	(4,378)	4,603,699
Final 2023 dividend declared and paid	–	–	–	–	–	(1,273,768)	(1,273,768)	–	(1,273,768)
Repurchase of shares under A share stock ownership scheme	–	(196,908)	–	–	–	–	(196,908)	–	(196,908)
Recognition of equity-settled share-based payments expense *(note 30)*	–	–	–	164,712	–	–	164,712	697	165,409
At September 30, 2024 (unaudited)	6,379,002	(1,288,759)	2,638,761	591,414	3,298,912	32,148,578	43,767,908	563,610	44,331,518

* These reserve accounts comprised the consolidated other reserves of RMB31,842,586,000, RMB35,178,644,000, and RMB38,677,665,000 in the consolidated statement of financial position at the end of each of the Relevant Periods and the nine months ended September 30, 2024, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended December 31,		Nine months ended September 30,	
		2022	2023	2023	2024
		RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000 (unaudited)*
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		3,968,492	4,667,110	3,812,377	5,086,740
Adjustments for:					
Finance costs	*8*	6,491	5,905	4,743	3,314
Share of losses of associates		62,996	72,696	47,115	54,228
Dividends received from financial assets at FVTPL	*5*	(9,028)	(8,813)	(6,439)	(33,909)
Loss/(gain) on disposal of property, plant and equipment	*7*	2,203	12,430	(80)	4,144
Depreciation of property, plant and equipment	*7*	579,258	717,721	488,872	554,444
Amortization of intangible assets	*7*	10,919	26,354	19,766	37,610
Equity-settled share-based payment expense	*30*	32,061	166,659	150,907	165,409
Impairment loss recognized/ (reversed) on non-financial assets	*6/7*	146,684	107,217	12,709	(9,250)
Depreciation of right-of-use assets	*7*	50,334	49,862	24,616	46,105
Gain on termination of lease contracts		(6,435)	(9,378)	(2,228)	(2,661)
Gain on financial assets at FVTPL	*5*	(230,903)	(28,262)	(43,714)	(11,603)
Gain on disposal of subsidiaries	*5*	(30,916)	–	–	–
Gain on deemed disposal of subsidiaries	*5*	(325,986)	–	–	–
Impairment losses under expected credit loss model, net of reversal	*6/7*	26,284	(17,254)	3,072	14,288
Net foreign exchange (gain)/loss		(68,170)	2,321	(12,823)	18,885
		4,214,284	5,764,568	4,498,893	5,927,744

	Notes	Year ended December 31,		Nine months ended September 30,	
		2022	2023	2023	2024
		RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000 (unaudited)*
(Increase)/decrease in other non-current assets		(49,057)	13,518	–	49,057
Increase in trade and bills receivables		(4,339,116)	(436,411)	(1,976,545)	(2,837,866)
Decrease/(increase) in pledged deposits		23,457	250	250	(7,985)
(Increase)/decrease in prepayments, other receivables and other assets		(184,349)	362,349	564,726	(428,951)
(Increase)/decrease in inventories		(52,677)	129,106	(41,070)	(207,699)
Increase in trade and other payables		1,875,579	2,342,965	1,638,323	1,802,269
(Decrease)/increase in contract liabilities		(32,479)	11,016	(2,493)	725,167
Increase/(decrease) in deferred income		2,920	(111,190)	(51,220)	3,600
Cash generated from operating activities		1,458,562	8,076,171	4,630,864	5,025,336
Income tax paid		(193,297)	(432,506)	(321,993)	(439,890)
Net cash flows from operating activities		1,265,265	7,643,665	4,308,871	4,585,446
CASH FLOWS FROM INVESTING ACTIVITIES					
Dividends received from financial assets at FVTPL		9,028	8,813	6,439	33,909
Dividends received from an associate		162	175	175	7,056
Proceeds from disposal of items of property, plant and equipment		20,211	20,183	13,232	11,061
Proceeds from disposal of subsidiaries	*31*	36,045	–	–	–
Purchases of items of property, plant and equipment		(379,582)	(270,308)	(422,918)	(249,563)
Purchases of land use right		(53,045)	–	–	(27,102)
Addition to intangible assets		(1,559,547)	(1,213,483)	(947,555)	(1,250,879)
Capital injection in an associate		(303,000)	–	–	–
Purchases of financial assets at FVTPL		(7,589,647)	(17,086)	(2,168)	(600,000)
Proceeds from disposal of financial assets at FVTPL		10,209,666	2,694,020	2,590,381	202,072
Net cash flows from/(used in) investing activities		390,291	1,222,314	1,237,586	(1,873,446)

	Notes	Year ended December 31,		Nine months ended September 30,	
		2022	2023	2023	2024
		RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000 (unaudited)*
CASH FLOWS FROM FINANCING ACTIVITIES					
New borrowings		1,260,000	21,100	21,100	799,909
Proceeds from borrowings from third parties	*24*	159,992	–	–	–
Capital injections from non-controlling shareholders of subsidiaries		378,863	–	–	–
Payments for repurchase of shares for A share incentive scheme		(398,028)	(827,265)	(802,637)	(196,908)
Payments for repurchase of restricted A shares		(667,770)	–	–	–
Interest paid to borrowings		–	(2,955)	(2,790)	(1,020)
Repayment of lease liabilities	*16*	(36,285)	(34,335)	(20,743)	(34,828)
Dividends paid		(1,015,543)	(1,019,873)	(1,019,873)	(1,273,768)
Repayment of borrowings		–	(1,281,100)	(1,265,000)	(799,909)
Net cash flows used in financing activities		(318,771)	(3,144,428)	(3,089,943)	(1,506,524)
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,336,785	5,721,551	2,456,514	1,205,476
Cash and cash equivalents at beginning of year/period		13,120,156	14,537,437	14,537,437	20,271,524
Effect of foreign exchange rate changes, net		80,496	12,536	19,697	(21,220)
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		14,537,437	20,271,524	17,013,648	21,455,780
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and cash equivalents		14,537,437	20,271,524	17,013,648	21,455,780
Interest receivable		572,993	474,581	392,243	667,981
Cash and bank balances as stated in the consolidated statements of financial position		15,110,430	20,746,105	17,405,891	22,123,761

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	December 31, 2022	December 31, 2023	September 30, 2024
		RMB'000	*RMB'000*	*RMB'000 (unaudited)*
NON-CURRENT ASSETS				
Property, plant and equipment	*14*	2,345,616	2,128,529	2,054,380
Intangible assets	*15*	1,381,850	2,334,458	3,359,518
Right-of-use assets		54,291	52,705	51,515
Investments in associates		661,117	614,746	563,878
Investments in subsidiaries	*1*	4,323,703	4,714,340	4,924,492
Other non-current assets	*18*	132,983	61,313	79,011
Financial assets at FVTPL	*22*	590,676	607,652	695,673
Deferred tax assets		41,590	43,353	44,854
Total non-current assets		9,531,826	10,557,096	11,773,321
CURRENT ASSETS				
Inventories	*19*	1,585,151	1,499,146	1,603,612
Trade and bills receivables	*20*	5,361,802	4,255,046	4,757,961
Prepayments, other receivables and other assets	*21*	1,680,247	1,234,897	1,015,873
Financial assets at FVTPL	*22*	2,681,199	14,124	686,240
Amounts due from subsidiaries		5,060,159	3,804,791	4,967,040
Cash and bank balances	*23*	13,329,563	19,728,155	20,764,642
Total current assets		29,698,121	30,536,159	33,795,368
CURRENT LIABILITIES				
Trade and other payables	*24*	1,346,591	1,529,397	1,468,067
Interest-bearing borrowings	*26*	1,260,943	–	–
Income tax payables		–	–	176,849
Amounts due to subsidiaries		3,058,652	3,548,237	3,125,767
Contract liabilities	*25*	28,951	8,796	1,165,778
Total current liabilities		5,695,137	5,086,430	5,936,461
NET CURRENT ASSETS		24,002,984	25,449,729	27,858,907
TOTAL ASSETS LESS CURRENT LIABILITIES		33,534,810	36,006,825	39,632,228
NON-CURRENT LIABILITIES				
Deferred income		49,970	5,000	5,000
Deferred tax liabilities		45,347	39,493	40,726
Total non-current liabilities		95,317	44,493	45,726
Net assets		33,439,493	35,962,332	39,586,502
EQUITY				
Share capital	*28*	6,379,002	6,379,002	6,379,002
Treasury shares	*28*	(398,028)	(1,091,851)	(1,288,759)
Reserves	*29*	27,458,519	30,675,181	34,496,259
Total equity		33,439,493	35,962,332	39,586,502

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Jiangsu Hengrui Pharmaceutical Co., Ltd. (the "Company") is a joint stock company with limited liability established in Lianyungang, Jiangsu, People's Republic of China (the "PRC") on April 28, 1997, and subsequently listed on the Shanghai Stock Exchange (stock code: 600276) on the October 18, 2000. The registered office address of the Company is No. 38 Huanghe Road, Economic and Technological Development Zone, Lianyungang, Jiangsu, the Mainland China.

During the Relevant Periods and the nine months ended September 30, 2023 and 2024, the Company and its subsidiaries (collectively referred to as the "Group") was principally engaged in the research and development, manufacture and sale of pharmaceutical products.

As at the date of this report, the Company had direct and indirect interests in its principal subsidiaries as below:

Name	Place and date of incorporation/ registration and place of operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Jiangsu Kexin Pharmaceutical Sales Co., Ltd. 江蘇科信醫藥銷售有限公司 *(note (a))**	Mainland China September 13, 2004	RMB10,000,000	–	100%	Sale of pharmaceutical products
Shanghai Hengrui Pharmaceuticals Co., Ltd. 上海恒瑞醫藥有限公司 *(note (a))**	Mainland China December 4, 2001	RMB72,000,000	100%	–	Research and development, manufacturing and sale of pharmaceutical products
Shanghai Shengdi Pharmaceutical Co., Ltd. 上海盛迪醫藥有限公司 *(note (a))**	Mainland China April 28, 2014	RMB250,000,000	100%	–	Research and development, manufacturing and sale of pharmaceutical products
Suzhou Suncadia Biopharmaceuticals Co., Ltd. 蘇州盛迪亞生物醫藥有限公司 *(note (a))**	Mainland China September 1, 2015	RMB100,000,000	100%	–	Research and development, manufacturing and sale of pharmaceutical products
Chengdu Suncadia Medicine Co., Ltd. 成都盛迪醫藥有限公司 *(note (a))**.	Mainland China March 23, 2011	RMB822,664,900	95.93%	–	Research and development, manufacturing and sale of pharmaceutical products

Notes:

(a) The statutory financial statements of these entities for the years ended December 31, 2022 and 2023 prepared in accordance with the Generally Accepted Accounting Principles in PRC ("PRC GAAP") were audited by Suya Jincheng Certified Public Accountants LLP Lianyungang Branch (蘇亞金誠會計師事務所(特殊普通合夥)連雲港分所), certified public accountants registered in the Mainland China.

* The English names of these companies registered in the Mainland China represent the best effort made by the directors of the Company (the "Directors") to translate the Chinese names as these companies have not been registered with any official English names.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the Relevant Periods and the nine months ended September 30, 2023 and 2024 or formed a substantial portion of the net assets of the Group.

The Company

The carrying amounts of the Company's investments in subsidiaries are as follows:

	December 31,		September 30,
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*
Investment, at cost	4,323,703	4,558,120	4,639,490
Deemed investment arising from share-based payments	–	156,220	285,002
Total	4,323,703	4,714,340	4,924,492

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board ("IASB"). All IFRSs effective for the accounting period commencing from January 1, 2024, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods and in the periods covered by the Interim and Interim Comparative Financial Information.

The Historical Financial Information has been prepared under the historical cost convention except for certain financial instruments which have been measured at fair value.

Basis of consolidation

The Historical Financial Information includes the financial information of the Group for the Relevant Periods and the nine months ended September 30, 2023 and 2024. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial information of the subsidiaries are prepared for the same Relevant Periods and the nine months ended September 30, 2023 and 2024 as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognizes the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognized in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Historical Financial Information. The Group intends to apply these new and revised IFRSs, if applicable, when they become effective.

IFRS 18	*Presentation and Disclosure in Financial Statements*[3]
IFRS 19	*Subsidiaries without Public Accountability: Disclosures*[3]
Amendments to IFRS 9 and IFRS 7	*Amendments to the Classification and Measurement of Financial Instruments*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to IAS 21	*Lack of Exchangeability*[1]
Annual Improvements to IFRS Accounting Standards – Volume 11	Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7[2]

[1] Effective for annual periods beginning on or after January 1, 2025

[2] Effective for annual periods beginning on or after January 1, 2026

[3] Effective for annual/reporting periods beginning on or after January 1, 2027

[4] No mandatory effective date yet determined but available for adoption

The application of IFRS 18 will have no impact on the consolidated statements of financial position of the Group, but will have impact on the presentation of the consolidated statements of profit or loss and other comprehensive income. Except for IFRS 18, the directors of the Company anticipate that the application of these new and revised IFRSs will have no material impact on the Group's financial performance and financial position in the foreseeable future.

2.3 MATERIAL ACCOUNTING POLICIES

Investments in associates

An associate is an entity in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and other comprehensive income of an associate is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognized directly in the equity of an associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's investment in the associate, except where unrealized losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investment in an associate.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Fair value measurement

The Group measures certain financial instruments at fair value at the end of each Relevant Periods and the nine months ended September 30, 2024. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	–	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the Historical Financial Information on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each Relevant Periods and the nine months ended September 30, 2024.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for a non-financial asset is required (other than inventories, contract costs, deferred tax assets and other non-current 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.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each Relevant Periods and the nine months ended September 30, 2024 as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis or sum-of-the-years basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives are as follows:

Leasehold improvements	Shorter of the remaining lease terms and estimated useful lives
Buildings	20 years
Electronic devices and others	3 to 5 years
Machinery	10 years
Motor vehicles	4 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at the end of each Relevant Periods and the nine months ended September 30, 2024.

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each Relevant Periods and the nine months ended September 30, 2024.

Intangible assets with indefinite useful lives or intangible assets not yet available for use are tested for impairment annually. Such intangible assets are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Software

Acquired software licenses are capitalized on the basis of costs incurred to acquire and bring to use the specific software. These software licenses are stated at cost less any impairment losses and amortized over their estimated useful lives of 3 to 5 years.

Research and development expenditure

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalized and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Capitalized development costs are stated at cost less any impairment losses and are amortized using the straight-line basis over the commercial lives of the underlying products not exceeding ten years, commencing from the date when the products are put into commercial production.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognized 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 any 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. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. 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:

Plant, offices and laboratories	2 to 10 years
Leasehold land	42 to 50 years

(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 the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of office and warehouse (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.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income, and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortized cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are generally recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in other comprehensive income. Upon derecognition, the cumulative fair value change recognized in other comprehensive income is recycled to profit or loss.

Financial assets at FVTPL

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognized in profit or loss.

This category includes wealth management products and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the equity investments are also recognized as other income in profit or loss when the right of payment has been established.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognizes an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At the end of each Relevant Periods and the nine months ended September 30, 2024, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the end of each Relevant Periods and the nine months ended September 30, 2024 with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 360 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

For debt investments at FVOCI, the Group applies the low credit risk simplification. At the end of each Relevant Periods and the nine months ended September 30, 2024, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. Debt investments graded in the top investment categories are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk of debt investments since origination, the allowance will be based on the lifetime ECL.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at FVOCI and financial assets at amortized cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 . . . . Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 . . . . Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 . . . . Financial assets that are credit-impaired at the end of each Relevant Periods and the nine months ended September 30, 2024 (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at the end of each Relevant Periods and the nine months ended September 30, 2024. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, or payables, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, financial liabilities included in other payables and accruals, and interest-bearing borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortized cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in the statement of profit or loss and other comprehensive income.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or canceled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in the statement of profit or loss and other comprehensive income.

Treasury shares

Own equity instruments which are reacquired and held by the Company (treasury shares) are recognized directly in equity at cost. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancelation of the Group's own equity instruments.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on weighted average method and, in the case of work in progress and finished goods, comprises direct materials, direct labor and an appropriate proportion of overheads. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each Relevant Periods and the nine months ended September 30, 2024, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each Relevant Periods and the nine months ended September 30, 2024 between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, and the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each Relevant Periods and the nine months ended September 30, 2024 and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each Relevant Periods and the nine months ended September 30, 2024 and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each Relevant Periods and the nine months ended September 30, 2024.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual installments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

(a) Drug sales

Revenue from the drug sales is recognized at the point in time when the Group transfers the control of goods at a point in time and has rights to payment from the customers upon acceptance by the customers or delivery of the products.

(b) Licensing revenue

The Group's licensing revenue may contain more than one performance obligation, including grants of licenses to the intellectual property rights, agreement to provide research and development services and other deliverables. As part of the accounting for these arrangements, the Group must develop assumptions that require judgment to determine the stand-alone selling price for each performance obligation identified in the contract. In developing the stand-alone selling price for a performance obligation, the Group considers competitor pricing for a similar or identical product, market awareness of and perception of the product, expected product life and current market trends. In general, the consideration allocated to each performance obligation is recognized when the respective obligation is satisfied on acceptance of a good or a service, limited to the consideration that is not constrained. Non-refundable payments received before all of the relevant criteria for revenue recognition are satisfied are recorded as contract liabilities.

Licenses of intellectual property: Upfront non-refundable payments for licensing the Group's intellectual property are evaluated to determine if the license is distinct from the other performance obligations identified in the arrangement. For licenses determined to be distinct, the Group recognizes revenues from non-refundable, up-front fees allocated to the license at a point in time, when the license is transferred to the licensee and the licensee is reasonably able to use and benefit from the license.

Options to license intellectual property: Upfront non-refundable payments for options to license the Group's intellectual property are evaluated to determine if the option represents a material right and is distinct from the other performance obligations identified in the arrangement. For options determined to be a material right and distinct, the Group defers the non-refundable up-front fees allocated to the option and recognize revenue at a point in time, at the earlier of when the option is exercised and when those future goods or services are transferred or when the option period expires.

Milestone payments: At the inception of each arrangement that includes development milestone payments, the Group evaluates whether the milestones are considered probable of being reached and estimates the amount to be included in the transaction price using the most likely amount method. If it is probable that a significant revenue reversal would not occur, the associated milestone value is included in the transaction price. Milestones related to the development-based activities may include initiation of various phases of clinical trials. Due to the uncertainty involved in meeting these development-based targets, they are generally fully constrained at contract inception. The Group will assess whether the variable consideration is fully constrained in each reporting period based on the facts and circumstances surrounding the clinical trials. Upon changes to the constraint associated with the developmental milestones, variable consideration will be included in the transaction price when a significant reversal of revenue recognized is not expected to occur and allocated to the separate performance obligations. Regulatory milestones are fully constrained until the period in which those regulatory approvals are achieved due to the inherent uncertainty of the approval process. Regulatory milestones are included in the transaction price in the period in which regulatory approval is obtained.

Royalties: For arrangements that include sales-based royalties, including milestone payments based on the level of sales, and the license is deemed to be the predominant item to which the royalties relate, the Group recognizes revenue at the later of (i) when the related sales occur, and (ii) when the performance obligation to which some or all of the royalty has been allocated has been satisfied (or partially satisfied).

Other income

Interest income is recognized on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognized when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract liabilities

A contract liability is recognized when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognized as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Share-based payments

The Group operates share award schemes. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value of share award refers to the fair value of the underlying ordinary shares of the Company on the respective dates of grant. Further details are included in note 30 to the Historical Financial Information.

The cost of equity-settled transactions is recognized in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at the end of each Relevant Periods and the nine months ended September 30, 2024 until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognized as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognized. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognized for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is canceled, it is treated as if it had vested on the date of cancelation, and any expense not yet recognized for the award is recognized immediately.

The dilutive effect of outstanding restricted shares is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension scheme

The employees of the Company and the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The Company and the subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets. The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognized as a liability when they are approved by the shareholders in a general meeting.

Foreign currencies

The Historical Financial Information is presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each Relevant Periods and the nine months ended September 30, 2024. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries and associates are currencies other than RMB. As at the end of each Relevant Periods and the nine months ended September 30, 2024, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of each Relevant Periods and the nine months ended September 30, 2024 and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognized in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognized in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's Historical Financial Information requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the Historical Financial Information:

Research and development expenses

All research costs are charged to profit or loss as incurred. Expenditure incurred on projects to develop new products is capitalized and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred. Determining the amounts of development costs to be capitalized requires the use of judgments and estimation.

Recognition of income taxes and deferred tax assets

Determining income tax provision involves judgment on the future tax treatment of certain transactions and when certain matters relating to the income taxes have not been confirmed by the local tax bureau. Management evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatments of such transactions are reconsidered periodically to take into account all changes in tax legislation.

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each Relevant Periods and the nine months ended September 30, 2024, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected credit losses on trade and bills receivables

The Group uses a provision matrix to calculate ECLs for trade and bills receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At the end of each Relevant Periods and the nine months ended September 30, 2024, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade and bills receivables is disclosed in note 20 to the Historical Financial Information.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each Relevant Periods and the nine months ended September 30, 2024. Indefinite life intangible assets or intangible assets not yet available for use are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Assessment of useful lives of capitalized development costs

In assessing the estimated useful lives of capitalized development costs when the products are put into commercial production, the Group takes into account factors such as expected life span of the underlying pharmaceutical products based on past experience or from a change in the market demand for the products. The estimation of the useful lives is based on the experience of management.

Estimated useful lives and residual values of property, plant and equipment

The Group's management determines the estimated useful lives, residual values and related depreciation and amortization charges for the Group's property, plant and equipment 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 depreciation and amortization charges where useful lives are different to that of previously estimated, 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 and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation and amortization charges in future periods.

Fair value measurement for unlisted investments

The Group made unlisted investments in a wide variety of companies and those investments are accounted for as financial assets at fair value through profit or loss. The fair values of those investments are determined using valuation techniques and the Group uses its judgment to select a variety of methods and makes assumptions that are mainly based on market conditions existing at the end of each Relevant Periods and the nine months ended September 30, 2024. Further details are included in note 36. Should any of the estimates and assumptions changed, it may lead to a material change in the respective fair values of these financial assets.

4. OPERATING SEGMENT INFORMATION

Operating segment information

For management purposes, the Group has only one reportable operating segment, which is research and development, manufacture and sale of pharmaceutical products. Since this is the only reportable operating segment of the Group, no further operating segment analysis thereof is presented.

Geographical information

During the Relevant Periods and the nine months ended September 30, 2023 and 2024, over 90% of the Group's revenue and operating profit were generated from the sale of pharmaceutical products in Mainland China and most of the Group's identifiable operating assets and liabilities were located in Mainland China. Therefore, no geographical segment information is presented in accordance with IFRS 8 Operating Segments.

Information about major customers

Revenue from each major customer, including revenue from a group of entities which are known to be under common control with that customer, which accounted for 10% or more of the Group's revenue during the Relevant Periods and the nine months ended September 30, 2023 and 2024 is set out below:

	Year ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000 (unaudited)*
Customer A	6,126,479	6,784,475	5,134,537	5,578,971
Customer B	2,659,723	3,150,785	2,344,638	2,498,519
Customer C	2,335,017	2,498,094	1,900,223	2,198,226

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000 (unaudited)*
Revenue from contracts with customers	21,275,271	22,819,785	17,013,632	20,189,304

Revenue from contracts with customers

(a) Disaggregated revenue information

	Year ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000 (unaudited)*
Types of goods or services				
Drug sales	21,213,026	22,377,188	16,854,478	18,598,750
Licensing revenue	6,442	268,371	95,119	1,454,746
Others	55,803	174,226	64,035	135,808
Total	21,275,271	22,819,785	17,013,632	20,189,304
Timing of revenue recognition				
At a point in time	21,254,161	22,803,807	17,008,411	20,187,162
Over time	21,110	15,978	5,221	2,142
Total	21,275,271	22,819,785	17,013,632	20,189,304

The following table shows the amounts of revenue recognized in the Relevant Periods and the nine months ended September 30, 2023 and 2024, that were included in the contract liabilities at the beginning of the Relevant Periods and the nine months ended September 30, 2023 and 2024 and recognized from performance obligations satisfied in previous periods:

	Year ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000 (unaudited)*
Revenue recognized that was included in contract liabilities at the beginning of the year/period:				
Drug sales	219,554	187,075	187,075	198,091
Total	219,554	187,075	187,075	198,091

(b) Performance obligations

Information about the Group's performance obligations is summarized below:

Drug sales

The performance obligation is satisfied upon acceptance by the customers or delivery of the products. Payment is generally due within 30 to 90 days from the invoice date.

Licensing revenue

During the Relevant Periods and the nine months ended September 30, 2023 and 2024, the Group entered into multiple license agreements with pharmaceutical companies (the "Licensees"), pursuant to which the Licensees shall obtain exclusive licenses for developing, manufacture, and commercializing certain innovative therapies developed by the Group in certain territories. In general, the consideration allocated to each performance obligation is recognized when the respective obligation is satisfied on acceptance of a good or a service. The Group usually receives non-refundable upfront payments in accordance with license agreements and is eligible to receive milestone payments and tiered royalty payments based on net sales in the territories.

	Year ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000 (unaudited)*
Other income				
Bank interest income	385,275	477,143	350,861	490,918
Government grants income*	287,401	498,486	245,066	270,744
Dividend income from equity investments at FVTPL	9,028	8,813	6,439	33,909
Total other income	681,704	984,442	602,366	795,571
Gains				
Gain on financial assets at FVTPL	230,903	28,262	43,714	11,603
Foreign exchange gains, net	93,188	7,902	25,932	–
Gain on disposal of subsidiaries *(note 31)*	30,916	–	–	–
Gain on deemed disposal of subsidiaries *(note 31)*	325,986	–	–	–
Others	8,518	13,178	4,743	8,450
Total gains	689,511	49,342	74,389	20,053
Total other income and gains	1,371,215	1,033,784	676,755	815,624

* The government grants mainly represent subsidies received from the government that relate to both expenses and assets. Government grants are released to profit or loss either over the periods that the expenses for which they are intended to compensate are expensed, or over the expected useful life of the relevant asset, when all attaching conditions and requirements are complied with.

6. OTHER EXPENSES

An analysis of other expenses is as follows:

	Year ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000 (unaudited)*
Donations	142,268	231,743	110,232	237,636
Foreign exchange losses, net	–	–	–	38,932
Impairment losses under expected credit loss model, net of reversal	26,284	(17,254)	3,072	14,288
Discount of bills receivables	69,971	71,793	50,372	13,174
Loss on disposal of items of property, plant and equipment	2,203	12,430	–	4,144
Impairment loss recognized/(reversed) on non-financial assets	146,684	107,217	12,709	(9,250)
Others	1,852	1,067	1,056	2,750
Total other expenses	389,262	406,996	177,441	301,674

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	Year ended December 31,		Nine months ended September 30,	
		2022	2023	2023	2024
		RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000 (unaudited)*
Cost of inventories sold		3,459,725	3,461,716	2,596,287	2,770,057
Depreciation of property, plant and equipment	*14*	579,258	717,721	488,872	554,444
Amortization of intangible assets	*15*	10,919	26,354	19,766	37,610
Depreciation of right of use assets	*16(a)*	50,334	49,862	24,616	46,105
Loss/(gain) on disposal of items of property, plant and equipment		2,203	12,430	(80)	4,144
Donations	*6*	142,268	231,743	110,232	237,636
Lease payments not included in the measurement of lease liabilities	*16(c)*	4,388	30,838	12,899	3,158
Gain on financial assets at FVTPL	*5*	(230,903)	(28,262)	(43,714)	(11,603)
Bank interest income	*5*	(385,275)	(477,143)	(350,861)	(490,918)
Government grants income	*5*	(287,401)	(498,486)	(245,066)	(270,744)
Foreign exchange (gains)/losses, net	*5/6*	(93,188)	(7,902)	(25,932)	38,932
Dividend income from equity investments at FVTPL	*5*	(9,028)	(8,813)	(6,439)	(33,909)
Gain on deemed disposal of subsidiaries	*5*	(325,986)	–	–	–
Gain on disposal of subsidiaries	*5*	(30,916)	–	–	–
Discount of bills receivables	*6*	69,971	71,793	50,372	13,174
Impairment losses recognized/(reversed) on non-financial assets	*6*	146,684	107,217	12,709	(9,250)
Impairment losses under expected credit model, net of reversal	*6*	26,284	(17,254)	3,072	14,288
Auditor's remuneration		1,585	1,566	–	–
Employee benefit expenses (excluding directors', supervisors' and chief executive's remuneration *(note 9)*)					
– Salaries, bonuses, allowances and benefits in kind		5,493,547	5,183,067	3,836,328	4,325,666
– Pension scheme contributions		592,089	544,154	367,352	385,776
– Equity-settled share-based payments expenses		31,132	159,175	144,790	158,112
Total employee benefits expenses		6,116,768	5,886,396	4,348,470	4,869,554

8. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000 (unaudited)*
Interest on borrowings	943	1,633	1,467	1,020
Interest on lease liabilities *(note 16)*	5,548	4,272	3,276	2,294
Total	6,491	5,905	4,743	3,314

9. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors', supervisors' and chief executive's remuneration as recorded during the Relevant Periods and the nine months ended September 30, 2023 and 2024, disclosed pursuant to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is set out below:

	Year ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000 (unaudited)*
Fees	300	200	–	–
Other emoluments:				
Salaries, bonuses, allowances and benefits in kind	11,866	15,630	13,462	17,005
Pension scheme contributions	113	112	81	106
Equity-settled share-based payment expenses	929	7,484	6,117	7,297
Subtotal	12,908	23,226	19,660	24,408
Total	13,208	23,426	19,660	24,408

During the Relevant Periods and the nine months ended September 30, 2023 and 2024, certain shares under A share stock ownership schemes were granted to Mr. Dai Hongbin, Mr. Zhang Lianshan, Mr. Jiang Frank Ningjun, Mr. Sun Jieping, Mr. Yuan Kaihong, and Ms. Xu Yu, further details of which are included in the disclosures in note 30 to the Historical Financial Information. The fair value of such awarded shares, which has been recognized in profit or loss, was determined as at the date of grant and the amount included in the Historical Financial Information for the Relevant Periods and the nine months ended September 30, 2023 and 2024 is included in the above directors' remuneration disclosures.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the Relevant Periods and the nine months ended September 30, 2023 and 2024 are as follows:

	Year ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000 (unaudited)*
Mr. Dong Jiahong	100	–	–	–
Mr. Zeng Qingsheng	–	100	–	–
Mr. Sun Jinyun	–	100	–	–
Mr. Wang Qian	100	–	–	–
Ms. Xue Shuang	100	–	–	–
Total	300	200	–	–

Mr. Dong Jiahong was appointed as the independent non-executive director of the Company since May 2021. Mr. Wang Qian and Ms. Xue Shuang were appointed as the independent non-executive directors of the Company since May 2016, and resigned as the independent non-executive directors of the Company with effect from February 2023. Mr. Zeng Qingsheng and Mr. Sun Jinyun were appointed as the independent non-executive directors of the Company from February 2023.

(b) Directors, supervisors and the chief executives

	Fees	Salaries, bonuses, allowances and benefits in kind	Pension scheme contributions	Equity-settled share-based payment expenses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended December 31, 2022					
Director and chairman of the Board:					
Mr. Sun Piaoyang *(note (i))*	–	1,624	–	–	1,624
Directors and executives:					
Mr. Dai Hongbin *(note (ii))*	–	2,338	20	344	2,702
Mr. Zhang Lianshan *(note (iii))*	–	3,097	–	287	3,384
Mr. Sun Jieping *(note (v))*	–	2,324	31	172	2,527
Director:					
Ms. Guo Congzhao *(note (vi))*	–	–	–	–	–
Supervisors:					
Mr. Yuan Kaihong *(note (vii))*	–	1,863	29	115	2,007
Mr. Xiong Guoqiang *(note (viii))*	–	–	–	–	–
Ms. Xu Yu *(note (ix))*	–	302	23	11	336
Mr. Dong Wei *(note (x))*	–	–	–	–	–
Mr. Li Peichen *(note (xi))*	–	318	10	–	328
Total	–	11,866	113	929	12,908

	Fees	Salaries, bonuses, allowances and benefits in kind	Pension scheme contributions	Equity-settled share-based payment expenses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended December 31, 2023					
Director and chairman of the Board:					
Mr. Sun Piaoyang *(note (i))*	–	1,623	–	–	1,623
Directors and executives:					
Mr. Dai Hongbin *(note (ii))*	–	3,795	26	2,018	5,839
Mr. Zhang Lianshan *(note (iii))*	–	3,335	–	1,682	5,017
Mr. Jiang Frank Ningjun *(note (iv))*	–	2,339	–	2,035	4,374
Mr. Sun Jieping *(note (v))*	–	2,325	30	1,010	3,365
Director:					
Ms. Guo Congzhao *(note (vi))*	–	–	–	–	–
Supervisors:					
Mr. Yuan Kaihong *(note (vii))*	–	1,867	31	672	2,570
Mr. Xiong Guoqiang *(note (viii))*	–	–	–	–	–
Ms. Xu Yu *(note (ix))*	–	346	25	67	438
Mr. Dong Wei *(note (x))*	–	–	–	–	–
Total	–	15,630	112	7,484	23,226

	Fees	Salaries, bonuses, allowances and benefits in kind	Pension scheme contributions	Equity-settled share-based payment expenses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Nine months ended September 30, 2023 (unaudited)					
Director and chairman of the Board:					
Mr. Sun Piaoyang *(note (i))*	–	1,383	–	–	1,383
Directors and executives:					
Mr. Dai Hongbin *(note (ii))*	–	3,490	18	1,650	5,158
Mr. Zhang Lianshan *(note (iii))*	–	2,843	–	1,375	4,218
Mr. Jiang Frank Ningjun *(note (iv))*	–	1,701	–	1,662	3,363
Mr. Sun Jieping *(note (v))*	–	2,097	22	825	2,944
Director:					
Ms. Guo Congzhao *(note (vi))*	–	–	–	–	–
Supervisors:					
Mr. Yuan Kaihong *(note (vii))*	–	1,677	23	550	2,250
Mr. Xiong Guoqiang *(note (viii))*	–	–	–	–	–
Ms. Xu Yu *(note (ix))*	–	271	18	55	344
Mr. Dong Wei *(note (x))*	–	–	–	–	–
Total	–	13,462	81	6,117	19,660

	Fees	Salaries, bonuses, allowances and benefits in kind	Pension scheme contributions	Equity-settled share-based payment expenses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Nine months ended September 30, 2024 (unaudited)					
Director and chairman of the Board:					
Mr. Sun Piaoyang *(note (i))*	–	1,405	–	–	1,405
Directors and executives:					
Mr. Dai Hongbin *(note (ii))*	–	4,331	26	1,962	6,319
Mr. Zhang Lianshan *(note (iii))*	–	3,268	–	1,652	4,920
Mr. Jiang Frank Ningjun *(note (iv))*	–	3,615	–	1,969	5,584
Mr. Sun Jieping *(note (v))*	–	2,179	22	1,032	3,233
Director:					
Ms. Guo Congzhao *(note (vi))*	–	–	–	–	–
Supervisors:					
Mr. Yuan Kaihong *(note (vii))*	–	1,697	25	620	2,342
Mr. Xiong Guoqiang *(note (viii))*	–	224	13	–	237
Ms. Xu Yu *(note (ix))*	–	286	20	62	368
Total	–	17,005	106	7,297	24,408

There was no arrangement under which directors or the chief executive waived or agreed to waive any remuneration during the Relevant Periods and the nine months ended September 30, 2023 and 2024, except that the director's fee of Mr. Dong Jiahong for 2023 and the nine months ended September 30, 2024 were waived with his authorisation.

Notes:

(i) Mr. Sun Piaoyang was appointed as the director of the Company since April 1997 and the chairman of the Board with effect from August 2021.

(ii) Mr. Dai Hongbin was appointed as the director of the Company with effect from January 2020 and the general manager (president) from May 2022.

(iii) Mr. Zhang Lianshan was appointed as the director of the Company with effect from April 2012.

(iv) Mr. Jiang Frank Ningjun was appointed as the director of the Company with effect from February 2023.

(v) Mr. Sun Jieping was appointed as the director of the Company with effect from January 2020.

(vi) Ms. Guo Congzhao was appointed as the director of the Company with effect from January 2020.

(vii) Mr. Yuan Kaihong was appointed as the supervisor of the Company with effect from February 2023.

(viii) Mr. Xiong Guoqiang was appointed as the supervisor of the Company with effect from April 2010.

(ix) Ms. Xu Yu was appointed as the supervisor of the Company with effect from July 2022.

(x) Mr. Dong Wei was appointed as the supervisor of the Company with effect from December 2003 and resigned as the supervisor with effective from February 2023.

(xi) Mr. Li Peichen was appointed as the supervisor of the Company with effect from April 2013 and resigned as the supervisor with effective from July 2022.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the Relevant Periods and the nine months ended September 30, 2023 and 2024 included 1, 3, 4, and 3 directors, respectively, details of whose remuneration are set out in note 9 above. Details of the remuneration for the remaining 4, 2, 1 and 2 highest paid employees who were neither a director nor chief executive of the Company during the Relevant Periods and the nine months ended September 30, 2023 and 2024 are as follows:

	Year ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000 (unaudited)*
Salaries, bonuses, allowances and benefits in kind	11,544	4,767	2,140	5,527
Pension scheme contributions	37	–	–	–
Equity-settled share-based payment expenses	230	2,692	1,100	2,684
Total	11,811	7,459	3,240	8,211

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
			(unaudited)	*(unaudited)*
HK$3,000,001 to HK$3,500,000	3	–	–	–
HK$3,500,001 to HK$4,000,000	1	–	1	–
HK$4,000,001 to HK$4,500,000	–	2	–	1
HK$4,500,001 to HK$5,000,000	–	–	–	1
Total	4	2	1	2

During the Relevant Periods and the nine months ended September 30, 2023 and 2024, certain shares under A share stock ownership schemes were granted to 1, 2, 1 and 2 non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 30 to the Historical Financial Information. The fair value of such awarded shares, which has been recognized in profit or loss over the vesting period, was determined as at the date of grant and the amounts included in the Historical Financial Information for the Relevant Periods and the nine months ended September 30, 2023 and 2024 are included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

11. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Mainland China

The provision for corporate income tax in Mainland China is based on the statutory rate of 25% of the taxable profits determined in accordance with the Enterprise Income Tax Law, which was approved and became effective on January 1, 2008, except for the Company and certain subsidiaries of the Group in Mainland China which are granted tax concession and are taxed at preferential tax rates.

Chengdu Suncadia Medicine Co., Ltd., Shanghai Senhui Pharmaceutical Co., Ltd. and Fujian Shengdi Pharmaceutical Co., Ltd. were qualified as High and New Technology Enterprises to enjoy a preferential income tax rate from 2021 to 2023. These qualifications are subject to review by the relevant tax authority in the Mainland China for every three years. The renewal of above qualifications for 2024 to 2026 is in process and the management of the Group expects the renewal will be completed before the annual tax filing of tax return of Enterprise Income Tax for the year ended December 31, 2024.

Shandong Shengdi Pharmaceutical Co., Ltd. and Jiangsu Original Drug Research and Development Co., Ltd. were qualified as High and New Technology Enterprises to enjoy a preferential income tax rate of 15% from 2023 to 2025.

Shanghai Hengrui Pharmaceuticals Co., Ltd., Shanghai Shengdi Pharmaceutical Co., Ltd., Tianjin Hengrui Pharmaceutical Co., Ltd. and Chengdu Xinyue Pharmaceutical Co., Ltd. were qualified as High and New Technology Enterprises to enjoy a preferential income tax rate of 15% from 2022 to 2024.

The Company and Suzhou Suncadia Biopharmaceuticals Co., Ltd. were qualified as High and New Technology Enterprises to enjoy a preferential income tax rate of 15% from 2020 to 2022. These qualifications are subject to review by the relevant tax authority in the Mainland China for every three years. The renewal of above qualifications for 2023 to 2025 has been completed and such enterprises are qualified to enjoy a preferential income tax rate of 15% from 2023 to 2025.

In addition, pursuant to Caishui [2020] No. 31 "Notice of Preferential Income Tax Policies for Enterprises in Hainan Free Trade Port (關於海南自由貿易港企業所得稅優惠政策的通知), as for the subsidiary of the Company, Hainan Hengrui Pharmaceutical Co., Ltd. the enterprises ("海南恒瑞醫藥有限公司"), which is incorporated in Hainan Free Trade Port and engaged in stipulated encouraged business, are permitted to enjoy a preferential enterprise income tax rate of 15% subject to certain qualification requirements until December 31, 2024.

United States

The subsidiaries incorporated in United States are subject to statutory federal corporate income tax at a rate of 21%. They are also subject to the state income tax which generally ranges from 1% to 10%.

The Group is within the scope of the Pillar Two model rules published by the Organization for Economic Co-operation and Development. While Hong Kong is in the process of seeking consultation on the implementation of the global minimum tax and domestic minimum top-up tax, it is expected that the new regime will come into effect for the Group's financial year beginning on January 1, 2025. Of the jurisdictions in which the Group operates, Australia, Germany, Switzerland, Poland and Spain enacted Pillar Two legislation which is effective and is applicable to the Group for the year beginning on January 1, 2024. The Group has undertaken a preliminary assessment of the Pillar Two tax implications for the jurisdictions in which the Group operates and have enacted Pillar Two legislation. Based on the preliminary assessment and current financials, the Group expects that Australia, Germany, Switzerland, Poland and Spain, where Pillar Two legislation has been enacted will likely satisfy the Transitional Country-by-Country Reporting Safe Harhour criteria. As such, the Group does not expect to have any material Pillar Two exposure (including current tax) arising in these jurisdictions during the nine months ended September 30, 2024. The Group has also applied the Amendments to IAS 12, "International Tax Reform—Pillar Two Model Rules", temporary mandatory exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

The income tax expense of the Group for the Relevant Periods and the nine months ended September 30, 2023 and 2024 is analyzed as follows:

	Year ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000 (unaudited)*
Current income tax	175,596	487,760	334,359	563,575
Deferred income tax	(22,245)	(98,471)	26,988	(93,165)
Total	153,351	389,289	361,347	470,410

A reconciliation of the tax expense applicable to profit before tax at the preferential tax rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, are as follows:

	Year ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000 (unaudited)*
Profit before tax	3,968,492	4,667,110	3,812,377	5,086,740
Tax at the preferential tax rate of 15%	595,274	700,066	571,857	763,011
Different tax rates enacted by local authorities	35,121	(90,173)	69,238	35,152
Adjustments in respect of current income tax of previous periods	1,631	60,912	60,461	31,831
Expenses not deductible for tax	6,391	212,192	70,006	94,058
Additional deductible allowance for qualified research and development costs	(548,070)	(601,220)	(485,411)	(564,539)
Tax losses not recognized	75,087	107,512	75,196	110,897
Tax losses recognized from previous periods	(12,083)	–	–	–
Tax charge at the Group's effective rate	153,351	389,289	361,347	470,410

12. DIVIDENDS

	Year ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000 (unaudited)*
Final dividends in respect of the previous year, declared or paid during the year/period (tax inclusive)	1,020,466	1,019,873	1,019,873	1,273,768

The final dividends of RMB1.6, RMB1.6 and RMB2.0 (inclusive of tax) for every 10 ordinary shares to all shareholders whose names were registered in the register of members and were entitled to participate in the distribution on the record date in respect of the years ended December 31, 2021, 2022 and 2023 were approved by the Annual General Meeting of the Company.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit attributable to ordinary equity holders of the parent, adjusted to reflect the cash dividends distributed to the expected vested shares under A Share incentive schemes, and the weighted average number of ordinary shares outstanding (excluding treasury shares) during the Relevant Periods and the nine months ended September 30, 2023 and 2024.

The calculation of the diluted earnings per share amounts is based on the profit attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares outstanding during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed conversion of all dilutive potential ordinary shares arising from A share incentive schemes into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	Year ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000 (unaudited)*
Earnings				
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	3,906,374	4,302,436	3,473,779	4,619,576
Less: Cash dividends distributed to the expected vested shares under A share stock ownership schemes	(1,742)	(3,416)	–	–
Adjusted profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	3,904,632	4,299,020	3,473,779	4,619,576
Cash dividends distributed to the expected vested shares under A share stock ownership schemes	1,742	3,416	–	–
Adjusted profit attributable to ordinary equity holders of the parent, used in the diluted earnings per share calculation	3,906,374	4,302,436	3,473,779	4,619,576

	Year ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
			(unaudited)	*(unaudited)*
Shares				
Weighted average number of ordinary shares outstanding during the year/period, used in the basic earnings per share calculation	6,375,564,484	6,357,765,527	6,360,477,361	6,351,105,619
Effect of dilution — potential ordinary shares arising from A share stock ownership schemes	187,581	5,042,440	3,475,624	2,537,286
Total	6,375,752,065	6,362,807,967	6,363,952,985	6,353,642,905

14. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Electronic devices and others	Machinery	Motor vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
December 31, 2022							
At January 1, 2022:							
Cost	2,699,607	186,684	4,788,745	144,808	326,552	1,659,022	9,805,418
Accumulated depreciation	(638,557)	(130,972)	(2,467,331)	(120,113)	(17,159)	–	(3,374,132)
Net carrying amount	2,061,050	55,712	2,321,414	24,695	309,393	1,659,022	6,431,286
At January 1, 2022, net of accumulated depreciation	2,061,050	55,712	2,321,414	24,695	309,393	1,659,022	6,431,286
Additions	41,677	16,073	498,943	534	127,449	535,260	1,219,936
Transfers	841,595	11,802	147,300	387	–	(1,001,084)	–
Depreciation provided during the year	(136,000)	(21,197)	(352,744)	(7,481)	(61,836)	–	(579,258)
Disposals	–	(323)	(34,315)	(509)	–	–	(35,147)
Disposals of subsidiaries	(41,341)	(3,241)	(40,873)	–	(3,871)	–	(89,326)
At December 31, 2022, net of accumulated depreciation	2,766,981	58,826	2,539,725	17,626	371,135	1,193,198	6,947,491
At December 31, 2022:							
Cost	3,540,704	208,654	5,342,467	132,890	450,129	1,193,198	10,868,042
Accumulated depreciation	(773,723)	(149,828)	(2,802,742)	(115,264)	(78,994)	–	(3,920,551)
Net carrying amount	2,766,981	58,826	2,539,725	17,626	371,135	1,193,198	6,947,491

	Buildings	Electronic devices and others	Machinery	Motor vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
December 31, 2023							
At January 1, 2023:							
Cost	3,540,704	208,654	5,342,467	132,890	450,129	1,193,198	10,868,042
Accumulated depreciation	(773,723)	(149,828)	(2,802,742)	(115,264)	(78,994)	–	(3,920,551)
Net carrying amount	2,766,981	58,826	2,539,725	17,626	371,135	1,193,198	6,947,491
At January 1, 2023, net of accumulated depreciation	2,766,981	58,826	2,539,725	17,626	371,135	1,193,198	6,947,491
Additions	–	26,272	194,966	6,782	54,183	423,255	705,458
Transfers	339,866	1,401	173,342	849	–	(515,458)	–
Depreciation provided during the year	(203,811)	(27,838)	(390,315)	(6,455)	(89,302)	–	(717,721)
Disposals	(21,863)	(259)	(23,151)	(1,491)	–	–	(46,764)
At December 31, 2023, net of accumulated depreciation	2,881,173	58,402	2,494,567	17,311	336,016	1,100,995	6,888,464
At December 31, 2023:							
Cost	3,853,773	231,893	5,620,269	116,858	504,312	1,100,995	11,428,100
Accumulated depreciation	(972,600)	(173,491)	(3,125,702)	(99,547)	(168,296)	–	(4,539,636)
Net carrying amount	2,881,173	58,402	2,494,567	17,311	336,016	1,100,995	6,888,464

	Buildings	Electronic devices and others	Machinery	Motor vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
September 30, 2024 (unaudited)							
At January 1, 2024:							
Cost	3,853,773	231,893	5,620,269	116,858	504,312	1,100,995	11,428,100
Accumulated depreciation	(972,600)	(173,491)	(3,125,702)	(99,547)	(168,296)	–	(4,539,636)
Net carrying amount	2,881,173	58,402	2,494,567	17,311	336,016	1,100,995	6,888,464
At January 1, 2024, net of accumulated depreciation	2,881,173	58,402	2,494,567	17,311	336,016	1,100,995	6,888,464
Additions	8,236	3,311	58,402	7,329	7,130	477,457	561,865
Transfers	67,735	2,512	57,354	–	443	(128,044)	–
Depreciation provided during the period	(134,109)	(14,317)	(337,453)	(4,930)	(63,635)	–	(554,444)
Disposals	–	(347)	(12,196)	(774)	–	(1,886)	(15,203)
At September 30, 2024, net of accumulated depreciation	2,823,035	49,561	2,260,674	18,936	279,954	1,448,522	6,880,682
At September 30, 2024:							
Cost	3,929,743	233,777	5,669,991	110,836	511,885	1,448,522	11,904,754
Accumulated depreciation	(1,106,708)	(184,216)	(3,409,317)	(91,900)	(231,931)	–	(5,024,072)
Net carrying amount	2,823,035	49,561	2,260,674	18,936	279,954	1,448,522	6,880,682

As at September 30, 2024, the Group has not obtained the certificates for certain of the buildings with an aggregate net carrying amount of approximately RMB1,397,520,000. The directors were of the opinion that the aforesaid matter did not have any significant impact on the Group's financial position as at September 30, 2024.

The Company

	Buildings	Electronic devices and others	Machinery	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
December 31, 2022						
At January 1, 2022:						
Cost	1,334,850	60,631	2,796,979	91,985	314,545	4,598,990
Accumulated depreciation	(427,083)	(42,785)	(1,613,962)	(85,406)	–	(2,169,236)
Net carrying amount	907,767	17,846	1,183,017	6,579	314,545	2,429,754
At January 1, 2022, net of accumulated depreciation	907,767	17,846	1,183,017	6,579	314,545	2,429,754
Additions	–	14,021	119,505	174	37,816	171,516
Transfers	241,409	–	5,607	–	(247,016)	–
Depreciation provided during the year	(60,267)	(7,726)	(184,189)	(977)	–	(253,159)
Disposals	–	(34)	(1,968)	(493)	–	(2,495)
At December 31, 2022, net of accumulated depreciation	1,088,909	24,107	1,121,972	5,283	105,345	2,345,616
At December 31, 2022:						
Cost	1,576,259	73,185	2,901,019	80,601	105,345	4,736,409
Accumulated depreciation	(487,350)	(49,078)	(1,779,047)	(75,318)	–	(2,390,793)
Net carrying amount	1,088,909	24,107	1,121,972	5,283	105,345	2,345,616

	Buildings	Electronic devices and others	Machinery	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
December 31, 2023						
At January 1, 2023:						
Cost	1,576,259	73,185	2,901,019	80,601	105,345	4,736,409
Accumulated depreciation	(487,350)	(49,078)	(1,779,047)	(75,318)	–	(2,390,793)
Net carrying amount	1,088,909	24,107	1,121,972	5,283	105,345	2,345,616
At January 1, 2023, net of accumulated depreciation	1,088,909	24,107	1,121,972	5,283	105,345	2,345,616
Additions	–	12,551	23,964	1,237	52,933	90,685
Transfers	102,602	–	51,869	–	(154,471)	–
Depreciation provided during the year	(71,260)	(14,858)	(212,782)	(1,059)	–	(299,959)
Disposals	–	(137)	(6,799)	(877)	–	(7,813)
At December 31, 2023, net of accumulated depreciation	1,120,251	21,663	978,224	4,584	3,807	2,128,529
At December 31, 2023:						
Cost	1,678,861	85,599	2,970,053	80,961	3,807	4,819,281
Accumulated depreciation	(558,610)	(63,936)	(1,991,829)	(76,377)	–	(2,690,752)
Net carrying amount	1,120,251	21,663	978,224	4,584	3,807	2,128,529

	Buildings	Electronic devices and others	Machinery	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
September 30, 2024 (unaudited)						
At January 1, 2024:						
Cost	1,678,861	85,599	2,970,053	80,961	3,807	4,819,281
Accumulated depreciation	(558,610)	(63,936)	(1,991,829)	(76,377)	–	(2,690,752)
Net carrying amount	1,120,251	21,663	978,224	4,584	3,807	2,128,529
At January 1, 2024, net of accumulated depreciation	1,120,251	21,663	978,224	4,584	3,807	2,128,529
Additions	–	7,191	48,392	524	75,565	131,672
Transfers	18,557	–	–	–	(18,557)	–
Depreciation provided during the period	(56,959)	(6,753)	(138,171)	(782)	–	(202,665)
Disposals	–	(339)	(2,430)	(387)	–	(3,156)
At September 30, 2024, net of accumulated depreciation	1,081,849	21,762	886,015	3,939	60,815	2,054,380
At September 30, 2024:						
Cost	1,697,418	88,874	2,951,975	51,357	60,815	4,850,439
Accumulated depreciation	(615,569)	(67,112)	(2,065,960)	(47,418)	–	(2,796,059)
Net carrying amount	1,081,849	21,762	886,015	3,939	60,815	2,054,380

15. INTANGIBLE ASSETS

The Group

	Software	Capitalized development costs	Total
	RMB'000	*RMB'000*	*RMB'000*
December 31, 2022			
At January 1, 2022:			
Cost	13,477	262,895	276,372
Accumulated amortization and impairment	(2,508)	(194)	(2,702)
Net carrying amount	10,969	262,701	273,670
At January 1, 2022, net of accumulated amortization and impairment	10,969	262,701	273,670
Additions	11,422	1,490,107	1,501,529
Disposals	–	(32,816)	(32,816)
Disposals of subsidiaries	(785)	–	(785)
Amortization provided during the year	(8,628)	(2,291)	(10,919)
At December 31, 2022, net of accumulated amortization and impairment	12,978	1,717,701	1,730,679
At December 31, 2022:			
Cost	23,668	1,720,186	1,743,854
Accumulated amortization and impairment	(10,690)	(2,485)	(13,175)
Net carrying amount	12,978	1,717,701	1,730,679

	Software	Exclusive distribution rights	Capitalized development costs	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
December 31, 2023				
At January 1, 2023:				
Cost	23,668	–	1,720,186	1,743,854
Accumulated amortization and impairment	(10,690)	–	(2,485)	(13,175)
Net carrying amount	12,978	–	1,717,701	1,730,679
At January 1, 2023, net of accumulated amortization and impairment	12,978	–	1,717,701	1,730,679
Additions	7,929	9,434	1,313,635	1,330,998
Disposals	–	–	(117,515)	(117,515)
Amortization provided during the year	(5,285)	(157)	(20,912)	(26,354)
At December 31, 2023, net of accumulated amortization and impairment	15,622	9,277	2,892,909	2,917,808
At December 31, 2023:				
Cost	31,597	9,434	2,916,306	2,957,337
Accumulated amortization and impairment	(15,975)	(157)	(23,397)	(39,529)
Net carrying amount	15,622	9,277	2,892,909	2,917,808

	Software	Exclusive distribution rights	Capitalized development costs	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
September 30, 2024 (unaudited)				
At January 1, 2024:				
Cost	31,597	9,434	2,916,306	2,957,337
Accumulated amortization and impairment	(15,975)	(157)	(23,397)	(39,529)
Net carrying amount	15,622	9,277	2,892,909	2,917,808
At January 1, 2024, net of accumulated amortization and impairment	15,622	9,277	2,892,909	2,917,808
Additions	5,631	35,000	1,215,547	1,256,178
Disposals	–	–	(5,299)	(5,299)
Amortization provided during the period	(3,415)	(999)	(33,196)	(37,610)
At September 30, 2024, net of accumulated amortization	17,838	43,278	4,069,961	4,131,077
At September 30, 2024:				
Cost	37,228	44,434	4,126,554	4,208,216
Accumulated amortization and impairment	(19,390)	(1,156)	(56,593)	(77,139)
Net carrying amount	17,838	43,278	4,069,961	4,131,077

The Company

	Software	Capitalized development costs	Total
	RMB'000	*RMB'000*	*RMB'000*
December 31, 2022			
At January 1, 2022:			
Cost	6,136	157,053	163,189
Accumulated amortization and impairment	(630)	(194)	(824)
Net carrying amount	5,506	156,859	162,365
At January 1, 2022, net of accumulated amortization and impairment	5,506	156,859	162,365
Additions	10,717	1,217,208	1,227,925
Amortization provided during the year	(6,149)	(2,291)	(8,440)
At December 31, 2022, net of accumulated amortization and impairment	10,074	1,371,776	1,381,850
At December 31, 2022:			
Cost	16,853	1,374,261	1,391,114
Accumulated amortization and impairment	(6,779)	(2,485)	(9,264)
Net carrying amount	10,074	1,371,776	1,381,850

	Software	Exclusive distribution rights	Capitalized development costs	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
December 31, 2023				
At January 1, 2023:				
Cost	16,853	–	1,374,261	1,391,114
Accumulated amortization and impairment	(6,779)	–	(2,485)	(9,264)
Net carrying amount	10,074	–	1,371,776	1,381,850
At January 1, 2023, net of accumulated amortization and impairment	10,074	–	1,371,776	1,381,850
Additions	1,865	9,434	964,764	976,063
Amortization provided during the year	(2,386)	(157)	(20,912)	(23,455)
At December 31, 2023, net of accumulated amortization and impairment	9,553	9,277	2,315,628	2,334,458
At December 31, 2023:				
Cost	18,719	9,434	2,340,439	2,368,592
Accumulated amortization and impairment	(9,166)	(157)	(24,811)	(34,134)
Net carrying amount	9,553	9,277	2,315,628	2,334,458

	Software	Exclusive distribution rights	Capitalized development costs	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
September 30, 2024 (unaudited)				
At January 1, 2024:				
Cost	18,719	9,434	2,340,439	2,368,592
Accumulated amortization and impairment	(9,166)	(157)	(24,811)	(34,134)
Net carrying amount	9,553	9,277	2,315,628	2,334,458
At January 1, 2024, net of accumulated amortization and impairment	9,553	9,277	2,315,628	2,334,458
Additions	3,361	35,000	1,022,418	1,060,779
Disposals	–	–	(5,299)	(5,299)
Amortization provided during the period	(2,099)	(999)	(27,322)	(30,420)
At September 30, 2024, net of accumulated amortization	10,815	43,278	3,305,425	3,359,518
At September 30, 2024:				
Cost	22,080	44,434	3,357,558	3,424,072
Accumulated amortization and impairment	(11,265)	(1,156)	(52,133)	(64,554)
Net carrying amount	10,815	43,278	3,305,425	3,359,518

16. LEASES

The Group as a lessee

The Group has lease contracts for various items of plant, offices and laboratory, and leasehold land. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 42 to 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of plant, offices and laboratory generally have lease term between 2 and 10 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of right-of-use assets and the movements during the Relevant Periods and the nine months ended September 30, 2024 are as follows:

	Plant, offices and laboratory	Leasehold land	Total
	RMB'000	*RMB'000*	*RMB'000*
At January 1, 2022	153,710	428,767	582,477
New leases	30,064	53,045	83,109
Disposals of subsidiaries	(44,323)	–	(44,323)
Termination	(1,298)	–	(1,298)
Depreciation charge	(38,772)	(11,562)	(50,334)
At December 31, 2022	99,381	470,250	569,631
At January 1, 2023	99,381	470,250	569,631
New leases	22,692	–	22,692
Termination	(6,934)	–	(6,934)
Depreciation charge	(38,120)	(11,742)	(49,862)
At December 31, 2023	77,019	458,508	535,527
At January 1, 2024	77,019	458,508	535,527
New leases	55,575	27,102	82,677
Termination/modification	(7,977)	–	(7,977)
Depreciation charge	(35,970)	(10,135)	(46,105)
At September 30, 2024 (unaudited)	88,647	475,475	564,122

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the Relevant Periods and the nine months ended September 30, 2024 are as follows:

	December 31,		September 30,
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*
Carrying amount at January 1	151,589	98,861	75,176
New leases	30,064	22,692	55,575
Disposals of subsidiaries	(44,323)	–	–
Termination/modification	(7,732)	(16,314)	(10,637)
Accretion of interest recognized during the year/period	5,548	4,272	2,294
Lease payments	(36,285)	(34,335)	(34,828)
Carrying amount at December 31 and September 30	98,861	75,176	87,580

The maturity analysis of lease liabilities is disclosed in note 37 to the Historical Financial Information.

(c) The amounts recognized in profit or loss in relation to leases are as follows:

	Year ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000 (unaudited)*
Expenses relating to short-term leases	4,388	30,838	12,899	3,158
Interest on lease liabilities	5,548	4,272	3,276	2,294
Depreciation charge of right-of-use assets	50,334	49,862	24,616	46,105
Total	60,270	84,972	40,791	51,557

(d) The total cash outflow for leases is disclosed in note 32(c) to the Historical Financial Information.

17. INVESTMENT IN ASSOCIATES

	December 31,		September 30,
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*
Share of net assets	767,862	694,991	633,707

The Group's trade receivable and payable balances with the associates are disclosed in note 34 to the Historical Financial Information.

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	December 31,		September 30,
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*
Share of the associates' loss and total comprehensive loss for the year/period	(62,996)	(72,696)	(54,228)
Aggregate carrying amount of the Group's investments in the associates	767,862	694,991	633,707

18. OTHER NON-CURRENT ASSETS

The Group

	December 31,		September 30,
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*
Prepayments for land use rights	220,186	206,668	206,262
Prepayments for property, plant and equipment	103,307	127,573	216,966
Prepayments for in-licenses*	119,057	49,057	–
Total	442,550	383,298	423,228

The Company

	December 31,		September 30,
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*
Prepayments for property, plant and equipment	13,926	12,256	79,011
Prepayments for in-licenses*	119,057	49,057	–
Total	132,983	61,313	79,011

* Included in the prepayments for in-licenses, in August 2021, the Company entered into an exclusive commercialization and co-development agreement with Dalian Wanchunbulin Pharmaceuticals Ltd. ("Dalian Wanchun"), pursuant to which, the Company was granted exclusive rights to commercialize and co-develop certain products in Mainland China, Hong Kong, Macau and Taiwan. In September 2021, the Company paid the upfront payment of RMB200,000,000 to Dalian Wanchun. As at the end of each Relevant Periods and nine months ended September 30, 2024, impairments of RMB130,000,000, RMB200,000,000 and RMB200,000,000, respectively, were recognized on such upfront payment.

19. INVENTORIES

The Group

	December 31,		September 30,
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*
Raw materials	871,513	753,759	843,603
Work in progress	402,613	405,842	504,310
Finished goods	1,149,527	1,146,124	1,171,163
Contract costs	26,922	8,301	11,899
Total	2,450,575	2,314,026	2,530,975

The Company

	December 31,		September 30,
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*
Raw materials	438,851	421,064	514,269
Work in progress	239,808	229,754	242,724
Finished goods	906,492	848,328	846,619
Total	1,585,151	1,499,146	1,603,612

20. TRADE AND BILLS RECEIVABLES

The Group

	December 31,		September 30,
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*
Trade receivables	5,989,439	5,276,769	5,769,703
Bills receivables	2,450,074	940,413	1,118,450
Impairment	(98,042)	(82,275)	(95,927)
Total	8,341,471	6,134,907	6,792,226

The Company

	December 31,		September 30,
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*
Trade receivables	3,894,270	3,671,524	4,031,410
Bills receivables	1,532,626	638,567	794,895
Impairment	(65,094)	(55,045)	(68,344)
Total	5,361,802	4,255,046	4,757,961

The Group's trade terms with its partly customers are on credit, except for new customers, where payment in advance is normally required. The credit period is generally 30 to 90 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimize credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to diversified customers, the analysis of concentrations of credit risk is set out in note 37. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. As at the end of each Relevant Periods and the nine months ended September 30, 2024, bills receivable of RMB295,201,000, RMB273,302,000 and RMB25,367,000, respectively, were pledged as collateral for the Group's bills payable. Trade and bills receivables are non-interest-bearing.

Included in the Group's trade and bills receivables are amounts due from the Group's associates of nil, RMB24,193,000 and RMB27,811,000, respectively, at the end of each Relevant Periods and the nine months ended September 30, 2024, which are repayable on credit terms similar to those offered to other customers of the Group.

An aging analysis of the trade and bills receivables as at the end of each Relevant Periods and the nine months ended September 30, 2024, based on the invoice date and net of loss allowance, is as follows:

The Group

	December 31,		September 30,
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*
Current	7,786,353	5,529,352	5,963,580
Past due within 1 year	544,862	604,080	827,213
Past due 1 year to 2 years	6,133	212	133
Past due 2 years to 3 years	4,123	1,263	1,300
Total	8,341,471	6,134,907	6,792,226

The Company

	December 31,		September 30,
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*
Current	5,083,413	3,914,319	4,177,757
Past due within 1 year	268,245	339,312	578,771
Past due 1 year to 2 years	6,128	154	133
Past due 2 years to 3 years	4,016	1,261	1,300
Total	5,361,802	4,255,046	4,757,961

The movements in the loss allowance for impairment of trade and bills receivables are as follows:

The Group

	December 31,		September 30,
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*
At beginning of year/period	72,029	98,042	82,275
Impairment losses recognized/(reversed), net	26,013	(15,767)	13,652
At end of year/period	98,042	82,275	95,927

The Company

	December 31,		September 30,
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*
At beginning of year/period	55,335	65,094	55,045
Impairment losses recognized/(reversed), net	9,759	(10,049)	13,299
At end of year/period	65,094	55,045	68,344

An impairment analysis is performed at the end of each Relevant Periods and the nine months ended September 30, 2024 using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the end of each Relevant Periods and the nine months ended September 30, 2024 about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

The Group

At December 31, 2022

		Past due				
	Current	Less than 1 year	1-2 years	2-3 years	Over 3 years	Total
Expected credit loss rate	1%	5%	30%	70%	100%	1.6%
Gross carrying amount *(RMB'000)*	5,390,180	573,539	8,762	13,742	3,216	5,989,439
Expected credit losses *(RMB'000)*	53,901	28,677	2,629	9,619	3,216	98,042

At December 31, 2023

		Past due				
	Current	Less than 1 year	1-2 years	2-3 years	Over 3 years	Total
Expected credit loss rate	1%	5%	30%	70%	100%	1.6%
Gross carrying amount *(RMB'000)*	4,635,292	635,873	303	4,212	1,089	5,276,769
Expected credit losses *(RMB'000)*	46,353	31,793	91	2,949	1,089	82,275

At September 30, 2024 (unaudited)

		Past due				
	Current	Less than 1 year	1-2 years	2-3 years	Over 3 years	Total
Expected credit loss rate	1%	5%	30%	70%	100%	1.7%
Gross carrying amount *(RMB'000)*	4,893,772	870,786	190	4,333	622	5,769,703
Expected credit losses *(RMB'000)*	48,642	43,573	57	3,033	622	95,927

The Company

At December 31, 2022

		Past due				
	Current	Less than 1 year	1-2 years	2-3 years	Over 3 years	Total
Expected credit loss rate	1%	5%	30%	70%	100%	1.7%
Gross carrying amount *(RMB'000)*	3,586,654	282,363	8,754	13,387	3,112	3,894,270
Expected credit losses *(RMB'000)*	35,867	14,118	2,626	9,371	3,112	65,094

At December 31, 2023

		Past due				
	Current	Less than 1 year	1-2 years	2-3 years	Over 3 years	Total
Expected credit loss rate	1%	5%	30%	70%	100%	1.5%
Gross carrying amount *(RMB'000)*	3,308,840	357,171	220	4,204	1,089	3,671,524
Expected credit losses *(RMB'000)*	33,088	17,859	66	2,943	1,089	55,045

At September 30, 2024 (unaudited)

		Past due				
	Current	Less than 1 year	1-2 years	2-3 years	Over 3 years	Total
Expected credit loss rate	1%	5%	30%	70%	100%	1.7%
Gross carrying amount *(RMB'000)*	3,417,032	609,233	190	4,333	622	4,031,410
Expected credit losses *(RMB'000)*	34,170	30,462	57	3,033	622	68,344

Financial assets that are derecognized in their entirety

The Group

As at the end of each Relevant Periods and the nine months ended September 30, 2024, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Derecognized Bills") to certain of its suppliers in order to settle the trade and other payables due to such suppliers or discounted with carrying amounts in aggregate of approximately RMB5,714,578,000, RMB5,370,484,000 and RMB6,189,880,000, respectively. The Derecognized Bills had maturity of one to six months at the end of the Relevant Periods and the nine months ended September 30, 2024. In accordance with the Law of Negotiable Instruments in the Mainland China, the holders of the Derecognized Bills shall have recourse against the Group if the banks in Mainland China default (the "Continuing Involvement"). In the opinion of the directors, the risk of the Group being claimed by the holders of the Derecognized Bills is remote in the absence of a default of the accepted bank, and the Group has transferred substantially all the risks and rewards relating to the Derecognized Bills. Accordingly, it has derecognized the full carrying amounts of the Derecognized Bills. The maximum exposures to loss from the Group's Continuing Involvement in the Derecognized Bills and the undiscounted cash flows to repurchase these Derecognized Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognized Bills are not significant.

During the Relevant Periods and the nine months ended September 30, 2023 and 2024, the Group has recognized loss of RMB69,971,000, RMB71,793,000, RMB50,372,000 and RMB13,174,000, respectively, on the date of transfer of the Derecognized Bills. No gains or losses were recognized from the Continuing Involvement, both during the year or cumulatively. The endorsement has been made evenly throughout the year.

The Company

At the end of each Relevant Periods and the nine months ended September 30, 2024, the Company endorsed certain bills receivable accepted by banks in Mainland China to certain of its suppliers in order to settle the trade payables due to such suppliers or discounted with carrying amounts in aggregate of approximately RMB2,358,455,000, RMB3,183,507,000 and RMB1,861,848,000, respectively.

During the Relevant Periods and the nine months ended September 30, 2023 and 2024, the Company has recognized loss of RMB69,971,000, RMB71,793,000, RMB50,372,000 and RMB13,174,000, respectively, on the date of transfer of the Derecognized Bills.

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

The Group

	December 31,		September 30,
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*
Prepayments and prepaid expenses	1,601,567	1,643,676	1,774,786
Income tax recoverable	507,196	226,071	232,948
Value-added tax recoverable	146,668	107,979	199,865
Deposit	15,403	15,658	20,700
Total	2,270,834	1,993,384	2,228,299

The Company

	December 31,		September 30,
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*
Prepayments and prepaid expenses	1,169,135	1,027,134	791,608
Income tax recoverable	456,148	207,763	224,265
Value-added tax recoverable	54,964	–	–
Total	1,680,247	1,234,897	1,015,873

The Group seeks to maintain strict control over its outstanding receivables to minimize credit risk. Long aging balances are reviewed regularly by senior management. In view of the fact that the Group's other receivables relate to a large number of diversified counterparties, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its prepayments and other receivable balances.

Other receivables had no historical defaults. The financial assets included in the above balances relating to receivables were categorized in stage 1 at the end of each Relevant Periods and the nine months ended September 30, 2024. In calculating the expected credit loss rate, the Group considers the historical loss rate and adjusts for forward-looking macroeconomic data. During the Relevant Periods and the nine months ended September 30, 2023 and 2024, the Group estimated that the expected credit loss rate for other receivables is minimal.

22. FINANCIAL ASSETS AT FVTPL

The Group

Current portion

	December 31,		September 30,
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*
Listed equity investments, at fair value	9,687	–	–
Other unlisted investments, at fair value	102,533	99,050	207,563
Wealth management products	2,648,274	–	566,158
Total	2,760,494	99,050	773,721

Non-current portion

	December 31,		September 30,
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*
Other unlisted investments, at fair value	583,129	596,520	835,070
Wealth management products	156,582	159,871	–
Total	739,711	756,391	835,070

The Company

Current portion

	December 31,		September 30,
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*
Listed equity investments, at fair value	9,687	–	–
Other unlisted investments, at fair value	23,238	14,124	120,082
Wealth management products	2,648,274	–	566,158
Total	2,681,199	14,124	686,240

Non-current portion

	December 31,		September 30,
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*
Other unlisted investments, at fair value	434,094	447,781	695,673
Wealth management products	156,582	159,871	–
Total	590,676	607,652	695,673

The above wealth management products are issued by banks in Mainland China. They were mandatorily classified as financial assets at FVTPL as their contractual cash flows are not solely payments of principal and interest.

23. CASH AND BANK BALANCES AND PLEDGED DEPOSITS

The Group

	December 31,		September 30,
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*
Cash and bank balances	15,110,430	20,746,105	22,123,761
Pledged deposits	250	–	7,985
Total	15,110,680	20,746,105	22,131,746
Denominated in			
RMB	13,696,249	19,271,728	18,677,724
USD	1,373,051	1,401,967	2,482,810
Others	41,380	72,410	971,212
Total	15,110,680	20,746,105	22,131,746

The Company

	December 31,		September 30,
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*
Cash and bank balances	13,329,563	19,728,155	20,764,642
Denominated in			
RMB	12,539,271	18,640,073	17,521,655
USD	783,368	1,086,287	2,301,601
Others	6,924	1,795	941,386
Total	13,329,563	19,728,155	20,764,642

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods depending on the immediate cash requirements of the Group. The pledged deposits represent amounts required to be placed in banks for securing letters of credit and letters of guarantee of the Group, and are classified as current assets. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

24. TRADE AND OTHER PAYABLES

The Group

	December 31,		September 30,
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*
Trade and bills payables	1,493,467	1,334,012	1,435,335
Payables relating to purchases of items of property, plant and equipment	274,082	176,317	104,604
Borrowings from third parties	159,992	159,992	159,992
Considerations received from employees under A share stock ownership schemes	59,640	313,920	313,920
Other payables	84,839	152,358	146,023
Other tax payables	115,151	159,686	173,074
Lease liabilities *(note 16)*	–	–	36,275
Total	2,187,171	2,296,285	2,369,223

An aging analysis of the trade and bills payables of the Group at the end of each Relevant Periods and the nine months ended September 30, 2024, based on the invoice date, is as follows:

	December 31,		September 30,
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*
Within 1 year	1,401,710	1,270,701	1,421,545
1 to 2 years	78,159	35,460	6,446
2 to 3 years	10,829	18,093	3,341
Over 3 years	2,769	9,758	4,003
Total	1,493,467	1,334,012	1,435,335

The Company

	December 31,		September 30,
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*
Trade and bills payables	1,163,424	919,184	909,130
Payables relating to purchases of items of property, plant and equipment	78,093	60,845	53,509
Considerations received from employees under A share stock ownership schemes	59,640	313,920	313,920
Other payables	36,300	135,988	73,545
Other tax payables	9,134	99,460	117,963
Total	1,346,591	1,529,397	1,468,067

An aging analysis of the trade and bills payables of the Company at the end of each Relevant Periods and the nine months ended September 30, 2024, based on the invoice date, is as follows:

	December 31,		September 30,
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*
Within 1 year	1,136,393	906,517	896,505
1 to 2 years	17,140	4,207	6,420
2 to 3 years	1,679	4,984	2,562
Over 3 years	8,212	3,476	3,643
Total	1,163,424	919,184	909,130

The trade and bills payables are non-interest-bearing and are normally settled on 3-6 months terms.

Other payables are non-interest-bearing and repayable on demand.

25. CONTRACT LIABILITIES

The Group

	December 31,		September 30,
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*
Amounts received in advance for delivery of products and services	187,075	198,091	195,329
Amounts received in advance in relation to licencing contracts	–	–	1,082,045
Total	187,075	198,091	1,277,374

The Company

	December 31,		September 30,
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*
Amounts received in advance for delivery of products and services	28,951	8,796	104,044
Amounts received in advance in relation to licencing contracts	–	–	1,061,734
Total	28,951	8,796	1,165,778

26. INTEREST-BEARING BORROWINGS

The Group and the Company

December 31, 2022

	Effective interest rate (%)	Maturity	RMB'000
Current			
Loans-unsecured	2.72	2023	1,260,943

The carrying amounts of borrowings are denominated in the following currency:

	December 31, 2022
	RMB'000
RMB	1,260,943

There are no interest-bearing borrowings at the end of December 31, 2023 and the nine months ended September 30, 2024 (unaudited).

27. DEFERRED TAX

The movements in deferred tax assets and liabilities during the Relevant Periods and the nine months ended September 30, 2024 are as follows:

Deferred tax assets

	Impairment provision for assets	Unrealized profits	Tax losses	Deferred Income	Lease liabilities	Fair value losses on financial assets at FVTPL	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2022	17,410	11,049	103,859	9,045	20,475	–	161,838
Deferred tax credited/(charged) to the consolidated statement of profit or loss	25,535	26,964	29,180	(12)	(4,608)	–	77,059
At December 31, 2022	42,945	38,013	133,039	9,033	15,867	–	238,897
At January 1, 2023	42,945	38,013	133,039	9,033	15,867	–	238,897
Deferred tax credited/(charged) to the consolidated statement of profit or loss	8,755	(26,954)	109,072	(6,745)	(3,350)	881	81,659
At December 31, 2023	51,700	11,059	242,111	2,288	12,517	881	320,556
At January 1, 2024	51,700	11,059	242,111	2,288	12,517	881	320,556
Deferred tax credited/(charged) to the consolidated statement of profit or loss	(521)	(20,423)	110,663	–	2,468	502	92,689
At September 30, 2024 (unaudited)	51,179	(9,364)	352,774	2,288	14,985	1,383	413,245

Deferred tax liabilities

	Fair value gains on financial assets at FVTPL	Fair value gains on other non-current financial assets at FVTPL	Right-of-use assets	Depreciation allowance in excess of related depreciation	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2022	14,252	10,521	20,860	–	–	45,633
Deferred tax (credited)/charged to the consolidated statement of profit or loss	(6,016)	22,748	(4,746)	21,596	21,232	54,814
At December 31, 2022	8,236	33,269	16,114	21,596	21,232	100,447
At January 1, 2023	8,236	33,269	16,114	21,596	21,232	100,447
Deferred tax (credited)/charged to the consolidated statement of profit or loss	(8,236)	496	(116)	(8,956)	–	(16,812)
At December 31, 2023	–	33,765	15,998	12,640	21,232	83,635
At January 1, 2024	–	33,765	15,998	12,640	21,232	83,635
Deferred tax (credited)/charged to the consolidated statement of profit or loss	–	1,388	(529)	(1,335)	–	(476)
At September 30, 2024 (unaudited)	–	35,153	15,469	11,305	21,232	83,159

The Group also has unused tax losses arising in Mainland China of approximately RMB706,284,000, RMB1,248,887,000 and RMB1,759,536,000 as at the end of each Relevant Periods and the nine months ended September 30, 2024 that will expire in one to ten years for offsetting against future taxable profits.

Deferred tax assets have not been recognized in respective of these unused tax losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilized in the foreseeable future.

28. SHARE CAPITAL/TREASURY SHARES

Share Capital

	December 31, 2022	December 31, 2023	September 30, 2024
	Number of shares	Number of shares	Number of shares
			(unaudited)
Issued and fully paid: 6,379,002,274 ordinary shares of RMB1.00 each	6,379,002,274	6,379,002,274	6,379,002,274

A summary of movements in the share capital is as follows:

	Number of shares in issue	Share capital
		RMB'000
At January 1, 2022	6,396,011,914	6,396,012
Repurchase and cancelation of restricted A shares *(note (a))*	(17,009,640)	(17,010)
At December 31, 2022 (audited), January 1, 2023 (audited), December 31, 2023 (audited), January 1, 2024 (audited) and September 30, 2024 (unaudited)	6,379,002,274	6,379,002

Note:

(a) On December 8, 2021, the proposal on the repurchase and cancelation of part of the restricted A Shares granted but have not yet vested under the restricted A Shares of 2020 of the Company was approved by the extraordinary shareholders' meeting. Pursuant to the above proposal, the Company repurchased a total of 17,009,640 restricted A Shares granted at a price of RMB38.9250 per share. Such repurchased A shares was subsequently canceled on February 17, 2022.

Treasury Shares

A summary of movements in the Company's treasury shares is as follows:

	Number of shares	Treasury Shares
		RMB'000
At January 1, 2022	17,009,640	664,935
Repurchase of shares under share award scheme	12,000,031	398,028
Repurchase and cancelation of restricted A shares *(note (a))*	(17,009,640)	(664,935)
At December 31, 2022 and January 1, 2023	12,000,031	398,028
Repurchase of shares under A share stock ownership schemes	18,906,580	827,265
Vesting of shares under A share stock ownership schemes *(note 30)*	(4,023,094)	(133,442)
At December 31, 2023 and January 1, 2024	26,883,517	1,091,851
Repurchase of shares under A share stock ownership schemes	4,795,699	196,908
At September 30, 2024 (unaudited)	31,679,216	1,288,759

Subsequently from October 1, 2024 to December 31, 2024, the Company implemented the A share repurchase through public centralized trading and repurchased 625,000 A shares at a total consideration of RMB31,516,000.

29. RESERVES

The Group

The amounts of the Group's reserves and the movements therein for the Relevant Periods and the nine months ended September 30, 2023 and 2024 are presented in the consolidated statements of changes in equity.

Share premium

The share premium of the Group represents the difference between the par value of the shares issued and the consideration received.

Share-based payments reserve

Share-based payments reserve represents the share-based compensation reserve due to equity-settled share award, details of which are set out in note 30 to the Historical Financial Information.

Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations with a functional currency other than RMB. The reserve is dealt with in accordance with the accounting policies set out in note 2.3 to the Historical Financial Information.

Statutory surplus reserve

In accordance with the Company Law of the People's Republic of China, the companies registered in the PRC are required to allocate 10% of the statutory after-tax profits to the statutory surplus reserve until the cumulative total of the reserve reaches 50% of the companies' registered capital. Subject to approval from the relevant PRC authorities, the statutory surplus reserve may be used to offset any accumulated losses or increase the registered capital of the companies. The statutory surplus reserve is not available for dividend distribution to shareholders of the PRC subsidiaries.

Discretionary surplus reserve

After making the appropriation to the statutory surplus reserve, the Company and its subsidiaries may also appropriate their net profit to the discretionary surplus reserve upon approval by shareholders. Subject to the approval of shareholders, the discretionary surplus reserve may be used to make good previous years' losses, if any, and may be converted into capital.

The Company

The amounts of the Company's reserves and the movements therein for the Relevant Periods and the nine months ended September 30, 2023 and 2024 are presented as follows:

Year ended December 31, 2022

	Share premium	Share-based payments reserve	Surplus reserve	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2022	2,861,486	123,070	3,035,188	19,487,594	25,507,338
Profit for the year	–	–	–	3,584,676	3,584,676
Total comprehensive income for the year	–	–	–	3,584,676	3,584,676
Final 2021 dividend declared and paid	–	–	–	(1,020,466)	(1,020,466)
Appropriation to statutory surplus reserve	–	–	244,169	(244,169)	–
Repurchase and cancelation of restricted A shares	(650,760)	–	–	5,670	(645,090)
Recognition of equity-settled share-based payments expenses *(note 30)*	–	32,061	–	–	32,061
At December 31, 2022	2,210,726	155,131	3,279,357	21,813,305	27,458,519

Year ended December 31, 2023

	Share premium	Share-based payments reserve	Surplus reserve	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2023	2,210,726	155,131	3,279,357	21,813,305	27,458,519
Profit for the year	–	–	–	4,183,323	4,183,323
Total comprehensive income for the year	–	–	–	4,183,323	4,183,323
Final 2022 dividend declared and paid	–	–	–	(1,019,873)	(1,019,873)
Shares under A share stock ownership schemes vested	72,087	(185,534)	–	–	(113,447)
Recognition of equity-settled share-based payments expenses *(note 30)*	–	166,659	–	–	166,659
At December 31, 2023	2,282,813	136,256	3,279,357	24,976,755	30,675,181

Nine months ended September 30, 2024 (unaudited)

	Share premium	Share-based payments reserve	Surplus reserve	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2024	2,282,813	136,256	3,279,357	24,976,755	30,675,181
Profit for the period	–	–	–	4,929,437	4,929,437
Total comprehensive income for the period	–	–	–	4,929,437	4,929,437
Final 2023 dividend declared and paid	–	–	–	(1,273,768)	(1,273,768)
Recognition of equity-settled share-based payments expenses *(note 30)*	–	165,409	–	–	165,409
At September 30, 2024 (unaudited)	2,282,813	301,665	3,279,357	28,632,424	34,496,259

30. SHARE-BASED PAYMENTS

2022 A Share Stock Ownership Scheme

Pursuant to the A Share incentive scheme for 2022 approved at the extraordinary shareholders' meeting on September 8, 2022 (the "2022 A Share Stock Ownership Scheme"), the Company granted 10,976,000, 191,000, 151,000 and Nil shares to certain eligible participants during the Relevant Periods and the nine months ended September 30, 2023 and 2024. The granted price is RMB4.97 per share. The vesting periods for shares granted are 12 months, 24 months and 36 months from the date of completion of registration of the granted shares. According to the Company's performance appraisal and individual performance appraisal, 40%, 30% and 30% of shares will be vested respectively. During the Relevant Periods and the nine months ended September 30, 2023 and 2024, 89,000, 931,978, 757,000 and 304,572 shares were forfeited. During the Relevant Periods and the nine months ended September 30, 2023 and 2024, Nil, 4,023,094, Nil and Nil shares were vested.

2023 A Share Stock Ownership Scheme

Pursuant to the A Share incentive scheme for 2023 approved at the extraordinary shareholders' meeting on November 24, 2023 (the "2023 A Share Stock Ownership Scheme"), the Company granted Nil, 10,963,367, Nil and 616,000 shares to certain eligible participants during the Relevant Periods and the nine months ended September 30, 2023 and 2024. The granted price is RMB23.85 per share. The vesting periods for shares granted are 12 months, 24 months and 36 months from the date of completion of registration of the granted shares. According to the Company's performance appraisal and individual performance appraisal, 40%, 30% and 30% of shares will be vested respectively.. During the Relevant Periods and the nine months ended September 30, 2023 and 2024, Nil, 5,000, Nil and 355,200 shares were forfeited. During the Relevant Periods and the nine months ended September 30, 2023 and 2024, no shares were vested.

2024 A Share Stock Ownership Scheme

Pursuant to the A Share incentive scheme for 2024 approved at the extraordinary shareholders' meeting on September 6, 2024 (the "2024 A Share Stock Ownership Scheme"), the Company will grant a maximum number of 12,200,000 shares to certain eligible participants. The granted price is RMB21.20 per share. The vesting periods for shares granted are 12 months, 24 months and 36 months from the date of completion of registration of the granted shares on December 27, 2024. According to the Company's performance appraisal and individual performance appraisal, 40%, 30% and 30% of shares will be vested respectively.

The shares under A share stock ownership schemes outstanding are 17,037,523 as at the end of September 30, 2024.

The Group determines the fair value of shares under A share stock ownership schemes on the basis of the single-day closing price of the circulating shares on the date when the equity instruments are granted, less the subscribe price.

The total share-based payment expenses recognized in the consolidated statements of profit or loss and other comprehensive income for shares under A share stock ownership schemes are approximately RMB32,061,000, RMB166,659,000, RMB150,907,000 (unaudited) and RMB165,409,000 (unaudited) for the Relevant Periods and the nine months ended September 30, 2023 and 2024, respectively.

31. DISPOSAL OF SUBSIDIARIES

In September 2022, the Company and Shanghai Regenelead Therapies Co., Ltd. (上海瑞宏迪醫藥有限公司) ("Shanghai Regenelead") entered into a capital injection agreement with Jiangsu Hengrui Pharmaceutical Group Co., Ltd. (江蘇恒瑞醫藥集團有限公司), Shanghai Shengdi Biomedical Private Investment Fund Partnership (Limited Partnership) (上海盛迪生物醫藥私募投資基金合夥企業(有限合夥)) ("Shengdi Biomedical Fund"), and Shenzhen Yingtai Asset Management Co., Ltd. (深圳市迎泰資產管理有限公司) ("Shenzhen Yingtai"), pursuant to which, the investors injected RMB497,747,000 into Shanghai Regenelead. Such transaction was completed in September 2022. Accordingly, the Company's directly-held equity interest in Shanghai Regenelead was diluted from 100% to approximately 38% and Shanghai Regenelead ceased to be a subsidiary of the Group. Since the Group still had the power to appoint one out of five directors of Shanghai Regenelead, afterwards the Group was able to exercise significant influence over Shanghai Regenelead, and the 38% directly-held equity interests in Shanghai Regenelead is accounted for as investment in an associate.

In April 2022, certain subsidiaries of the Group and Suzhou Yiduoyun Health Co., Ltd. (蘇州醫朵雲健康股份有限公司) ("Suzhou Yiduoyun") entered into a capital injection agreement with certain third-party investors, pursuant to which, the investors injected RMB30,000,000 to Suzhou Yiduoyun. Such transaction was completed in August 2022. Accordingly, the Group's equity interest in Suzhou Yiduoyun was diluted from 71.43% to approximately 50%. According to the latest Article of Suzhou Yiduoyun, the controlling shareholder shall represent more than two thirds of the voting rights, thus Suzhou Yiduoyun ceased to be a subsidiary of the Group. Since the Group was still able to exercise significant influence over Suzhou Yiduoyun, its equity interest in Suzhou Yiduoyun is accounted for as investment in an associate.

In May 2022, certain subsidiary of the Group and Shanghai Fuhong Biopharmaceutical Co., Ltd. (上海甫弘生物醫藥有限公司) ("Shanghai Fuhong"), entered into a share transfer agreement with Shenzhen Yingtai, pursuant to which, the Group disposed of the entire equity interest in Shanghai Fuhong for a consideration of RMB52,787,000. Such transaction was completed in June 2022.

Details of the net assets disposed of are as follows:

	Notes	**At the date of disposal**
		RMB'000
Net assets disposed of:		
Current assets		56,046
Non-current assets		172,958
Current liabilities		(165,619)
Non-current liabilities		(47,450)
Non-controlling interests		15,142
Subtotal		31,077
Fair value of the remaining equity interests		(335,192)
Gain on disposal of subsidiaries	*5*	30,916
Gain on deemed disposal of subsidiaries	*5*	325,986
Total consideration		52,787
Satisfied by:		
Cash		52,787

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2022
	RMB'000
Cash consideration	52,787
Cash and bank balances disposed of	(16,742)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	36,045

32. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

(1) During the Relevant Periods and the nine months ended September 30, 2023 and 2024, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB30,064,000, RMB22,692,000, Nil and RMB55,575,000 respectively, in respect of lease arrangements for factory, office and laboratory premises.

(2) As disclosed in note 31 to the Historical Financial Information, the Group recognized a gain on deemed disposal of subsidiaries of RMB325,986,000 in 2022 due to the dilution of the Group's equity interest in Shanghai Regenelead and Suzhou Yiduoyun.

(b) Changes in liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	Dividends payable	Interest-bearing borrowings	Lease liabilities	Borrowings from third parties	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2022	–	–	151,589	–	151,589
Changes from financing cash flows	(1,015,543)	1,260,000	(36,285)	159,992	368,164
New lease arrangements	–	–	30,064	–	30,064
Dividends declared	1,015,543	–	–	–	1,015,543
Disposals of subsidiaries	–	–	(44,323)	–	(44,323)
Termination of lease contracts	–	–	(7,732)	–	(7,732)
Accretion of interest	–	943	5,548	–	6,491
At December 31, 2022 and January 1, 2023	–	1,260,943	98,861	159,992	1,519,796
Changes from financing cash flows	(1,019,873)	(1,262,576)	(34,335)	–	(2,316,784)
New lease arrangements	–	–	22,692	–	22,692
Dividends declared	1,019,873	–	–	–	1,019,873
Termination of lease contracts	–	–	(16,314)	–	(16,314)
Accretion of interest	–	1,633	4,272	–	5,905
At December 31, 2023 and January 1, 2024	–	–	75,176	159,992	235,168
Changes from financing cash flows	(1,273,768)	(1,020)	(34,828)	–	(1,309,616)
New lease arrangements	–	–	55,575	–	55,575
Dividends declared	1,273,768	–	–	–	1,273,768
Termination of lease contracts	–	–	(10,637)	–	(10,637)
Accretion of interest	–	1,020	2,294	–	3,314
At September 30, 2024 (unaudited)	–	–	87,580	159,992	247,572
At January 1, 2023	–	1,260,943	98,861	159,992	1,519,796
Changes from financing cash flows	(1,019,873)	(1,246,691)	(20,743)	–	(2,287,307)
Dividends declared	1,019,873	–	–	–	1,019,873
Termination of lease contracts	–	–	(7,235)	–	(7,235)
Accretion of interest	–	1,467	3,276	–	4,743
At September 30, 2023 (unaudited)	–	15,719	74,159	159,992	249,870

(c) Total cash outflow for leases

The total cash outflow for leases included in the statements of cash flows is as follows:

	Year ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000 (unaudited)*
Within operating activities	4,388	30,838	12,899	3,158
Within financing activities	36,285	34,335	20,743	34,828
Total	40,673	65,173	33,642	37,986

33. COMMITMENTS

The Group had contractual commitments for purchases of property, plant and equipment and the interest in an existing subsidiary with an aggregate amount of RMB146,098,000, RMB193,700,000 and RMB753,217,0000 (unaudited) at the end of each Relevant Periods and the nine months ended September 30, 2024, respectively.

34. RELATED PARTY TRANSACTIONS

The Directors are of the view that the following companies are related parties that had material transactions or balances with the Group during the Relevant Periods and the nine months ended September 30, 2023 and 2024.

(a) Name and relationships of the related parties

Name	Relationship
Jiangsu Hansoh Pharmaceutical Group Co., Ltd. and its subsidiaries	Controlled by a close family member of a director
Jiangsu Hengrui Pharmaceutical Group Co., Ltd.	Controlled by a director
Suzhou Yiduoyun and its subsidiaries *(Note 31)*	Associates
Shanghai Regenelead *(Note 31)*	Associate
Shengdi Biomedical Fund	Associate
Suzhou Hengrui Health Technology Co., Ltd.	Controlled by a close family member of a director
Suzhou Hengrui Medical Devices Co., Ltd. and its subsidiaries	Controlled by a close family member of a director
Jiangsu Alvin Medical Management Co., Ltd.	Controlled by a director

(b) The Group had the following transactions with related parties during the Relevant Periods and the nine months ended September 30, 2023 and 2024:

	Year ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000 (unaudited)*
Sales of products:				
Associates	16,990	79,332	59,595	56,035
Controlled by a close family member of a director	–	–	–	331
Total	16,990	79,332	59,595	56,366
Rendering of services:				
Associates	4,069	11,604	8,867	8,703
Controlled by a close family member of a director	–	10,670	218	2,596
Controlled by a director	–	5,689	5,057	–
Total	4,069	27,963	14,142	11,299

	Year ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000 (unaudited)*
Purchases of products:				
Associates	–	30	–	–
Controlled by a close family member of a director	–	3,982	–	19,410
Total	–	4,012	–	19,410
Purchases of services:				
Controlled by a close family member of a director	–	27,525	15,517	8,201
An associate	16,293	29,542	7,728	18,630
Total	16,293	57,067	23,245	26,831

Other transactions:

In September 2022, the Company and Shanghai Regenelead entered into a capital injection agreement with Jiangsu Hengrui Pharmaceutical Group Co., Ltd., Shengdi Biomedical Fund, and Shenzhen Yingtai, pursuant to which, the investors injected RMB497,747,000 to Shanghai Regenelead. Such transaction was completed in September 2022. Accordingly, the Company's directly-held equity interest in Shanghai Regenelead was diluted from 100% to approximately 38%.

(c) Outstanding balances with related parties:

The Group

	December 31,		September 30,
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*
Amounts due from related parties – trading nature			
Associates	–	24,193	27,811
Controlled by a close family member of a director	–	247	2,427
Controlled by a director	–	663	670
Total	–	25,103	30,908
Amounts due to related parties – trading nature			
Associates	–	137	2,901
Controlled by a close family member of a director	–	136	15
Total	–	273	2,916

The Group has assessed the expected loss rate for amounts due from the related parties by considering the financial position and credit history of the related party and assessed that the expected credit loss is minimal.

(d) Compensation of key management personnel of the Group

	Year ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000 (unaudited)*
Salaries, bonuses, allowances and benefits in kind	41,153	35,394	29,174	37,650
Pension scheme contributions	277	245	180	221
Equity-settled share-based payments expenses	2,279	14,781	12,091	15,249
Total	43,709	50,420	41,445	53,120

Further details of directors', supervisors' and the chief executive's remuneration are included in note 9 to the Historical Financial Information.

35. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each Relevant Periods and the nine months ended September 30, 2024 were as follows:

The Group

	December 31,		September 30,
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*
Financial assets			
Financial assets at FVTPL	3,500,205	855,441	1,608,791
Financial assets at FVOCI:			
Bills receivables	1,947,283	614,582	1,073,327
Financial assets at amortized cost:			
Trade and bills receivables	6,394,188	5,520,325	5,718,899
Financial assets included in prepayments, other receivables and other assets	15,403	15,658	20,700
Pledged deposits	250	–	7,985
Cash and bank balances	15,110,430	20,746,105	22,123,761
Total	26,967,759	27,752,111	30,553,463
Financial liabilities			
Financial liabilities at amortized cost:			
Financial liabilities included in trade and other payables	2,046,457	2,114,929	2,147,034
Interest-bearing borrowings	1,260,943	–	–
Total	3,307,400	2,114,929	2,147,034

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and bank balances, pledged deposits, financial assets included in prepayments, other receivables and other assets, trade and bills receivables, interest-bearing borrowings, and financial liabilities included in trade and other payables approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of each Relevant Periods and the nine months ended September 30, 2024, the finance department analyzed the movements in the values of financial instruments and determined the major inputs applied in the valuation. The valuation is reviewed and approved by the finance manager. The valuation process and results are discussed with the directors of the Company once a year for annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted investments designated at fair value through profit or loss have been estimated using a valuation technique based on assumptions that are not supported by observable market prices or rates. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statements of financial position, and the related changes in fair values, which are recorded in profit or loss, are reasonable, and that they were the most appropriate values at the end of each Relevant Periods and the nine months ended September 30, 2023 and 2024.

The Group invests in wealth management products issued by banks in Mainland China. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

Below is a summary of significant unobservable inputs to the valuation of financial instruments which are measured at fair value as at the end of each Relevant Periods and the nine months ended September 30, 2024:

Financial assets	Fair value hierarchy	Valuation techniques	Significant unobservable inputs	Relationship between unobservable inputs and fair value
Listed equity securities	Level 1	Quoted transaction prices in active markets	N/A	N/A
Wealth management products	Level 2	Discounted cash flow method	N/A	N/A
Investments in unlisted funds at fair value	Level 3	Net asset value of underlying investments	Net assets	The higher the net asset value, the higher the fair value
Unlisted equity investments at fair value	Level 3	Back-solve from recent transaction price	IPO probability	The higher the IPO probability, the higher the fair value

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

At December 31, 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at FVTPL	112,220	2,804,856	583,129	3,500,205
Bills receivables	–	1,947,283	–	1,947,283
Total	112,220	4,752,139	583,129	5,447,488

At December 31, 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at FVTPL	99,050	159,871	596,520	855,441
Bills receivables	–	614,582	–	614,582
Total	99,050	774,453	596,520	1,470,023

At September 30, 2024 (unaudited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at FVTPL	101,606	566,158	941,027	1,608,791
Bills receivables	–	1,073,327	–	1,073,327
Total	101,606	1,639,485	941,027	2,682,118

Financial instruments in Level 3

During the Relevant Periods and the nine months ended September 30, 2023 and 2024, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing borrowings, financial assets at fair value through profit or loss and cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarized below.

Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between RMB and other currencies in which the Group conducts business may affect the Group's financial condition and results of operations.

The following table demonstrates the sensitivity at the end of each Relevant Periods and the nine months ended September 30, 2024 to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

	Increase/(decrease) in rate of foreign exchange	Increase/(decrease) in profit before tax	Increase/(decrease) in equity
	%	*RMB'000*	*RMB'000*
Year ended December 31, 2022			
If RMB weakens against the USD	5	43,545	43,545
If RMB strengthens against the USD	(5)	(43,545)	(43,545)
Year ended December 31, 2023			
If RMB weakens against the USD	5	55,686	55,686
If RMB strengthens against the USD	(5)	(55,686)	(55,686)
Period ended September 30, 2024 (unaudited)			
If RMB weakens against the USD	5	92,149	92,149
If RMB strengthens against the USD	(5)	(92,149)	(92,149)

Credit risk

The Group trades only with recognized and creditworthy parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. The credit risk of the Group's other financial assets, which comprise cash and bank balances, pledged deposits, financial assets included in prepayments, other receivables and other assets, and financial assets included in other non-current assets arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

For financial assets included in other non-current assets and prepayments, other receivables and other assets, management makes periodic collective assessment as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The directors believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at the end of each Relevant Periods and the nine months ended September 30, 2024.

The amounts presented are gross carrying amounts for financial assets.

Maximum exposure and year-end staging (continued)

At December 31, 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables*	–	–	–	8,439,513	8,439,513
Financial assets included in prepayments, other receivables and other assets**	15,403	–	–	–	15,403
Pledged deposits	250	–	–	–	250
Cash and bank balances	15,110,430	–	–	–	15,110,430
Total	15,126,083	–	–	8,439,513	23,565,596

At December 31, 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables*	–	–	–	6,217,182	6,217,182
Financial assets included in prepayments, other receivables and other assets**	15,658	–	–	–	15,658
Cash and bank balances	20,746,105	–	–	–	20,746,105
Total	20,761,763	–	–	6,217,182	26,978,945

At September 30, 2024 (unaudited)

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables*	–	–	–	6,888,153	6,888,153
Financial assets included in prepayments, other receivables and other assets**	20,700	–	–	–	20,700
Pledged deposits	7,985	–	–	–	7,985
Cash and bank balances	22,131,747	–	–	–	22,131,747
Total	22,160,432	–	–	6,888,153	29,048,585

* For trade receivables at the end of each Relevant Periods and the nine months ended September 30, 2024, the Group applied the simplified approach for impairment. Information based on the provision matrix is disclosed in note 20 to the Historical Financial Information.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

At the end of each Relevant Periods and the nine months ended September 30, 2024, the Group had certain concentrations of credit risk as 56.66%, 61.70% and 58.59% of the Group's trade and bills receivables were due from the Group's five largest customers, respectively.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables are disclosed in note 20 to the Historical Financial Information.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade and bills receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing borrowings and lease liabilities.

The maturity profile of the Group's financial liabilities as at the end of each Relevant Periods and the nine months ended September 30, 2024, based on the contractual undiscounted payments, is as follows:

At December 31, 2022

	Less than 12 months or on demand	1 to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing borrowings	1,260,943	–	–	1,260,943
Financial liabilities included in trade and other payables	2,046,457	–	–	2,046,457
Lease liabilities	28,106	79,882	–	107,988
Total	3,335,506	79,882	–	3,415,388

At December 31, 2023

	Less than 12 months or on demand	1 to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities included in trade and other payables	2,114,929	–	–	2,114,929
Lease liabilities	40,270	40,720	–	80,990
Total	2,155,199	40,720	–	2,195,919

At September 30, 2024 (unaudited)

	Less than 12 months or on demand	1 to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities included in trade and other payables	2,147,034	–	–	2,147,034
Lease liabilities	36,496	57,377	–	93,873
Total	2,183,530	57,377	–	2,240,907

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may issue new shares, make borrowings or sell assets to reduce debt. No changes were made into the objectives, policies or processes for managing capital during the Relevant Periods and the nine months ended September 30, 2024.

	December 31,		September 30,
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*
Total liabilities	3,957,967	2,751,421	4,006,580
Total assets	42,370,875	43,784,507	48,338,098
Gearing ratio	9%	6%	8%

38. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to September 30, 2024.

The following information does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this document, and is included for information purposes only. The **[REDACTED]** *financial information should be read in conjunction with the section headed "Financial Information" in this document and the Accountants' Report set out in Appendix I to this document.*

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

TAXATION OF SECURITY HOLDERS

Income tax and capital gains tax of holders of the H shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of the H shares are resident or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current laws and practices, and has not taken in to account the expected change or amendment to the relevant laws or policies and does not constitute any opinion or advice. The discussion does not deal with all possible tax consequences relating to an [**REDACTED**] in the H shares, nor does it take into account the specific circumstances of any particular [**REDACTED**], some of which may be subject to special regulation. Accordingly, you should consult your own tax advisor regarding the tax consequences of an [**REDACTED**] in the H shares. The discussion is based upon laws and relevant interpretations in effect as of the Latest Practicable Date, all of which are subject to change or adjustment and may have retrospective effect.

This discussion does not address any aspects of PRC taxation other than income tax, capital gains tax and profits tax, sales tax, value-added tax, stamp duty and estate duty. Prospective [**REDACTED**] are urged to consult their financial advisors regarding the PRC and other tax consequences of owning and disposing of the H shares.

Taxation In mainland China

Tax on Dividends

Individual Investors

According to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得税法》), or the Individual Income Tax Law, amended by the SCNPC on 31 August 2018 and effective on 1 January 2019, and the Implementation Rules of the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得税法實施條例》) amended by the State Council on 18 December 2018 and effective on 1 January 2019, dividends paid by PRC companies to individual investors are ordinarily subject to a withholding income tax levied at a flat rate of 20%. Meanwhile, according to the Notice on Issues Concerning Differentiated Individual Income Tax Policies on Dividends and Bonus of Listed Companies (《關於上市公司股息紅利差別化個人所得税政策有關問題的通知》) issued by the Ministry of Finance, the State Administration of Taxation and the CSRC on 7 September 2015 and effective on 8 September 2015, where an individual holds the shares of a listed company obtained from the public offering for more than one year and transfers the stock of the listed company on the stock market, the dividend and bonus income shall be temporarily exempted from individual income tax. Where an individual acquires shares of a listed company from the public offering and transfers the stock of the listed company on the stock market, if the holding period is within one month (inclusive), the dividend and bonus income shall be included in the taxable income in full; if the holding period is more than one month but less than one year (inclusive), the dividend and bonus income shall be included in the taxable income at the rate of 50%; the aforesaid income shall be subject to individual income tax at a uniform rate of 20%.

Pursuant to the Arrangement between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《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》), or the Arrangement for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, executed on 21 August 2006, the PRC government may impose tax on dividends paid by a PRC company to a Hong Kong resident (including natural person and legal entity), but such tax shall not exceed 10% of the total amount of dividends payable. If a Hong Kong resident directly holds 25% or more of the equity interests in a PRC company and the Hong Kong resident is the beneficial owner of the dividends and meets other conditions, such tax shall not exceed 5% of the total amount of dividends payable by the PRC company. The Fifth Protocol to the Arrangement between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《國家税務總局關於<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>第五議定書》), or the Fifth Protocol, issued by the State Administration of Taxation and effective on 6 December 2019 provides that such provisions shall not apply to arrangements or transactions made for one of the primary purposes of obtaining such tax benefits.

Enterprise Investors

Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法》), or the EIT Law, amended by the SCNPC and effective on 29 December 2018, and the Implementation Rules 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》), or the Implementation Rules of the EIT Law, amended by the State Council and effective on 23 April 2019, a non-resident enterprise is subject to a 10% enterprise income tax on PRC-sourced income, including dividends paid by a PRC resident enterprise that issues and lists shares in Hong Kong, if such non-resident enterprise does not have an establishment or place of business in the PRC or has an establishment or place of business in the PRC but the PRC-sourced income is not actually connected with such establishment or place of business in the PRC. The aforesaid income tax payable by non-resident enterprises shall be withheld at source, and the payer shall be the withholding agent, and the tax shall be withheld by the withholding agent from the payment or due payment every time it is paid or due. Such tax may be reduced or exempted pursuant to an applicable treaty for the avoidance of double taxation.

Pursuant to the Notice on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H Share Holders Which Are Overseas Non-resident Enterprises (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得税有關問題的通知》) issued by the State Administration of Taxation and effective on 6 November 2008, a PRC resident enterprise is required to withhold enterprise income tax at a rate of 10% on dividends paid to non-PRC resident enterprise holders of H Shares which are derived out of profit generated since 2008. The Reply on the Collection of Enterprise Income Tax on Dividends Received by Non-resident Enterprises from Holding B Shares and Other Shares (《關於非居民企業取得B股等股票股息徵收企業所得税問題的批覆》) promulgated by the State Administration of Taxation and effective 24 July 2009 further

provides that PRC-resident enterprises listed on Chinese and overseas stock exchanges by issuing stocks (including A shares, B shares and overseas shares) must withhold enterprise income tax at a flat rate of 10% on dividends of 2008 and onwards that it distributes to non-resident enterprise shareholders. Such tax rates may be further modified pursuant to the tax treaty or agreement that China has concluded with a relevant jurisdiction, where applicable.

According to the Arrangement for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《對所得避免雙重徵税和防止偷漏税的安排》), the PRC government may impose tax on dividends paid by a PRC company to a Hong Kong resident (including natural person and legal entity), but such tax shall not exceed 10% of the total dividends payable by the PRC company. If a Hong Kong resident directly holds 25% or more of equity interest in a PRC company and the Hong Kong resident is the beneficial owner of the dividends and meets other conditions, such tax shall not exceed 5% of the total dividends payable by the PRC company. The Fifth Protocol provides that such provisions shall not apply to arrangements or transactions made for one of the primary purposes of obtaining such tax benefits.

Pursuant to applicable regulations, we intend to withhold tax at a rate of 10% from dividends paid to non-PRC resident enterprise holders of our H Shares (including HKSCC Nominees). Non-PRC resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of such refund will be subject to the PRC tax authorities' verification.

Tax related to equity transfer income

Individual Investors

Under the Individual Income Tax Law and its implementation rules, individuals are subject to individual income tax at a rate of 20% on gains realized on the sale of equity interests in PRC resident enterprises. Pursuant to the Circular on Continuing the Temporary Exemption of Individual Income Tax on Gains from Share Transfers by Individuals (《關於個人轉讓股票所得繼續暫免徵收個人所得税的通知》), which was promulgated by the MOF and the State Administration of Taxation and became effective on 30 March 1998, from 1 January 1997, income of individuals from the transfer of shares in listed companies continues to be temporarily exempted from individual income tax. The State Administration of Taxation does not specify whether to continue to exempt individuals from personal income tax on the income from the transfer of shares in listed company in the newly revised EIT Law and Implementation Rules of the EIT Law.

Enterprise Investors

Under the EIT Law and its implementation rules, a non-PRC resident enterprise is subject to enterprise income tax at the rate of 10% with respect to PRC-sourced income, including gains derived from the disposal of shares in a PRC resident enterprise, if it does not have an establishment or premises in the PRC or has an establishment or premises in the PRC but the PRC-sourced income is not actually connected with such establishment or premises in the PRC. The aforementioned income tax payable by non- PRC resident enterprises is subject to source withholding, and the payer is the withholding agent. The tax shall be withheld by the withholding agent from the payment or due payment every time it is paid or due. Such tax may be reduced or exempted under applicable tax treaties or arrangements.

Shanghai-Hong Kong Stock Connect Taxation Policy

Pursuant to the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》) promulgated by the Ministry of Finance, the State Administration of Taxation and the CSRC on 31 October 2014 and effective on 17 November 2014, transfer spread income derived by mainland enterprises from stock investment listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect shall be included in their total income and subject to enterprise income tax according to law. For dividends and bonuses received by mainland individual investors from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the H-share companies shall apply to CSDCC for providing the register of mainland individual investors to the H-share companies and withhold individual income tax at the rate of 20% on behalf of the H-share companies.

Pursuant to the Announcement on Extending the Implementation of the Individual Income Tax Policies Concerning the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect and the Mainland-Hong Kong Mutual Recognition of Funds (《關於延續實施滬港、深港股票市場交易互聯互通機制和內地與香港基金互認有關個人所得稅政策的公告》) which promulgated on 21 August 2023 and implemented on the same date, the transfer spread income derived by mainland individual investors from investing in shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect shall be exempted from individual income tax to 31 December 2027.

Pursuant to the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》), dividends derived by mainland enterprises from investing in shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect are included in their total income and subject to Enterprise Income Tax according to law. Pursuant to which, dividend income obtained by mainland resident enterprises from holding H shares for 12 consecutive months shall be exempted from enterprise income tax according to law. H-share companies shall not withhold income tax on dividends and bonus income for mainland enterprises investors. The tax payable shall be declared and paid by the enterprise itself.

Shenzhen-Hong Kong Stock Connect Taxation Policy

Pursuant to the Notice on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》) promulgated by the Ministry of Finance, the State Administration of Taxation and the CSRC on 5 November 2016 and effective on 5 December 2016, transfer spread income derived by mainland enterprises from stock investment listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect shall be included in their total income and subject to enterprise income tax according to law. For dividends and bonuses received by mainland individual investors from investing in H shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect, the H-share companies shall apply to CSDCC for providing the register of mainland individual investors to the H-share companies and the H-share companies shall withhold individual income tax at the rate of 20% on behalf of the investors.

Pursuant to the Announcement on Continuing the Implementation of the Individual Income Tax Policies Concerning the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect and the Mainland-Hong Kong Mutual Recognition of Funds promulgated by the Ministry of Finance, the State Administration of Taxation and the CSRC on 4 December 2019 and effective on 5 December 2019 and the Announcement on Extending the Implementation of the Individual Income Tax Policies Concerning the Shanghai-Hong Kong Stock Connect and the Shenzhen- Hong Kong Stock Connect and the Mainland-Hong Kong Mutual Recognition of Funds which promulgated on 21 August 2023 and implemented on the same date, the transfer spread income derived by mainland individual investors from investing in shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect shall be exempted from individual income tax from 5 December 2019 to 31 December 2027.

Pursuant to the Notice on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》), dividends derived by mainland enterprises investors from investing in shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect are included in their total income and subject to Enterprise Income Tax according to law. In particular, dividend and bonus income obtained by mainland resident enterprises from holding H shares for 12 consecutive months shall be exempted from enterprise income tax according to law. H-share companies shall not withhold income tax on dividends and bonus income for mainland enterprises. The tax payable shall be declared and paid by the enterprise itself.

Stamp Duty

According to the Stamp Duty Law of the People's Republic of China (《中華人民共和國印花稅法》), which was promulgated on 10 June 2021 and came into effect on 1 July 2022, the disposal of H Shares by non-mainland China investors outside of the mainland China is not subject to the requirements of the Stamp Duty Law of the People's Republic of China.

Estate duty

According to PRC law, no estate duty is currently levied in the mainland China.

MAJOR TAXATION OF OUR COMPANY IN THE PRC

Enterprise Income Tax

According to the Enterprise Income Tax Law of the People's Republic of China (中華人民共和國企業所得税法), enterprises and other income-generating organizations (hereinafter collectively referred to as "enterprises") within the territory of the People's Republic of China are the taxpayers of enterprise income tax and shall pay enterprise income tax in accordance with the provisions of the EIT Law. The Enterprise Income Tax rate is 25%. The high-tech enterprises that need full support from the PRC's government will enjoy a reduced tax rate of 15% for enterprise income tax.

Enterprises are classified into resident enterprises and non-resident enterprises. A non-resident enterprise that does not have an establishment or place of business in the PRC, or has an establishment or place of business in the PRC but the income has no actual connection to such establishment or place of business, shall pay enterprise income tax on its income within the PRC and withhold at source, where the payer is the withholding agent. The tax shall be withheld by the withholding agent from the payment or due payment every time it is paid or due. Meanwhile, any gains realized on the transfer of shares by such investors are subject to enterprise income tax and shall be withheld at source if such gains are regarded as income derived from the transfer of property within the PRC.

Value-added tax

Pursuant to the Provisional Regulations on Value-added Tax of the PRC (中華人民共和國增值税暫行條例) amended by the State Council and became effective on 19 November 2017 and the Detailed Rules for the Implementation of the Provisional Regulations on Value-added Tax of the PRC (中華人民共和國增值税暫行條例實施細則) amended by the MOF on 28 October 2011 and effective on 1 November 2011, all entities and individuals in the PRC engaging in the sale of goods, the provision of processing, repairs and replacement services, and the importation of goods are required to pay value-added tax. For taxpayers selling or importing goods, the general tax rate shall be 17% unless otherwise specified in the aforesaid regulations.

According to the Notice on the Adjustment to VAT Rates (《關於調整增值税税率的通知》) (Cai Shui [2018] No. 32), promulgated by the MOF and the State Administration of Taxation on 4 April 2018, and became effective as of 1 May 2018, the VAT rates of 17% and 11% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16% and 10%, respectively.

According to the Announcement on Relevant Policies for Deepening Value-Added Tax Reform (《關於深化增值税改革有關政策的公告》) (2019 No. 39 of MOF, State Administration of Taxation and General Administration of Customs), promulgated by the MOF, the State Administration of Taxation and the General Administration of Customs on 20 March 2019 and became effective on 1 April 2019, the VAT rates of 16% and 10% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 13% and 9%, respectively.

According to the Notice of the Ministry of Finance and the State Administration of Taxation on the Application of Low Value Added Tax Rates and Simplified Methods for Collecting Value Added Tax on Some Goods (《財政部國家税務總局關於部分貨物適用增值税低税率和簡易辦法徵收增值税政策的通知》) promulgated on 19 January 2009, and was revised on 25 May 2012 and 13 June 2014 respectively, general taxpayers who sell self-produced biological products made from microorganisms, microbial metabolites, animal toxins, human or animal blood or tissues may choose to calculate and pay value-added tax at a rate of 3% pursuant to the simplified method.

According to the Notice on VAT Policies for Anti-cancer Drugs (《關於抗癌藥品增值税政策的通知》) promulgated on April 27, 2018 by the Ministry of Finance, General Administration of Customs, State Administration of Taxation and State Drug Administration, with effect from 1 May 2018, VAT general taxpayers engaging in manufacturing and sale, wholesale, and retail of anti-cancer drugs may opt to compute and pay VAT in accordance with the simple method and based on 3% levy rate. Upon computation and payment of VAT by the aforesaid taxpayers using the simple method, no change shall be made within 36 months.

FOREIGN EXCHANGE ADMINISTRATION IN THE PRC

The lawful currency of the PRC is the Renminbi. The SAFE, authorized by the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange regulations.

Pursuant to the Regulations of the People's Republic of China on Foreign Exchange Control (《中華人民共和國外匯管理條例》) amended by the State Council and became effective on 5 August 2008, all international payments and transfers are classified into current account items and capital account items. The PRC does not impose restrictions on international payments and transfers under current account items. Foreign exchange income from the current account of PRC enterprises may be retained or sold to financial institutions engaged in the settlement and sale of foreign exchange in accordance with relevant provisions of the State. The retention or sale of foreign exchange receipts under capital accounts to financial institutions engaging in settlement and sale of foreign exchange shall be subject to the approval of foreign exchange administrative authorities, unless otherwise stipulated by the State.

Pursuant to the Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) promulgated by the PBOC on 20 June 1996 and became effective on 1 July 1996, the remaining restrictions on convertibility of foreign exchange in respect of current account items are abolished while the existing restrictions on foreign exchange transactions in respect of capital account items are retained.

According to relevant laws and regulations of the PRC, PRC enterprises (including foreign-invested enterprises) which require foreign exchange for transactions relating to current account items, may, without the approval of SAFE, effect payment from their foreign exchange accounts at the designated foreign exchange banks, on the strength of valid receipts and proof of transactions. Foreign-invested enterprise that need to distribute profits to their shareholders in foreign exchange and Chinese enterprise that need to pay fixed dividends in foreign exchange in accordance with the requirements shall pay from its foreign exchange account or pay at the designated foreign exchange bank by a resolution of the board of directors on the distribution of profits.

According to the Decision of the State Council on Canceling and Adjusting a Group of Administrative Approval Items and Other Matters (國務院關於取消和調整一批行政審批項目等事項的決定) promulgated by the State Council and effective on 23 October 2014, the administrative approval of the SAFE and its branches on matters concerning the repatriation and settlement of foreign exchange of overseas-raised funds through overseas listing has been canceled.

According to the Circular of the SAFE on Relevant Issues Concerning the Foreign Exchange Administration of Overseas Listing (國家外匯管理局關於境外上市外匯管理有關問題的通知) promulgated by the SAFE and became effective on 26 December 2014, the relevant provisions on foreign exchange administration of domestic joint stock companies (hereinafter referred to as "domestic companies") listed overseas are as follows:

(i) The SAFE and its branches and the Foreign Exchange Management Department, or the Foreign Exchange Bureau, supervise, manage and inspect the business registration, account opening and use, cross-border income and expenditure, and capital exchange involved in the overseas listing of domestic companies.

(ii) A domestic company shall, within 15 working days after the completion of the overseas listing and issuance, register the overseas listing with the Foreign Exchange Bureau at the place where it is registered with relevant material.

(iii) After the overseas listing of a domestic company, its domestic shareholders who intend to increase or reduce their shareholding in an overseas listed company according to relevant regulations shall register the overseas shareholding with the local foreign exchange bureau at the place where the domestic shareholders are located within 20 working days prior to the proposed increase or reduction of shareholding with relevant materials.

(iv) A domestic company (other than banking financial institutions) shall, by virtue of its registration certificate for overseas listing business, open a "special foreign exchange account for overseas listing of domestic companies" with a domestic bank for its initial offering (or additional offering) and repurchase business to handle the remittance and transfer of funds for the relevant business.

According to the Notice of the State Administration of Foreign Exchange 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》) issued on 13 February 2015 and came into effect on 1 June 2015, the SAFE has canceled the confirmation of foreign exchange registration under domestic direct investment and the confirmation of foreign exchange registration under overseas direct investment, instead, banks shall directly examine and handle foreign exchange registration under domestic direct investment and foreign exchange registration under overseas direct investment, and the SAFE and its branch offices shall indirectly regulate the foreign exchange registration of direct investment through banks.

According to the Notice of the State Administration of Foreign Exchange of the PRC on Revolutionize and Regulate Capital Account Settlement Management Policies (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) issued and implemented by the SAFE on 9 June 2016, foreign currency earnings in capital account that relevant policies of willingness exchange settlement have been clearly implemented on (including the recalling of raised capital by overseas listing) may undertake foreign exchange settlement in the banks according to actual business needs of the domestic institutions. The tentative percentage of foreign exchange settlement for foreign currency earnings in capital account of domestic institutions is 100%, subject to adjustment by the SAFE in due time in accordance with international revenue and expenditure situations.

This Appendix summarizes certain aspects of PRC laws and regulations which are relevant to our Company's operations and business. Laws and regulations relating to taxation in the PRC are discussed separately in "Appendix III—Taxation and Foreign Exchange" to this document. This Appendix also contains a summary of laws and regulatory provisions of the PRC Company Law. The principal objective of this summary is to provide potential [**REDACTED**] with an overview of the principal laws and regulatory provisions applicable to our Company. This summary is not intended to include all the information which is important to the potential [**REDACTED**]. For a discussion of laws and regulations which are relevant to our Company's business, see "Regulatory Overview" in this document.

THE PRC LEGAL SYSTEM

The PRC legal system is based on the PRC Constitution (《中華人民共和國憲法》), or the Constitution, and is made up of written laws, administrative regulations, local regulations, separate regulations, rules and regulations of departments of the State Council, rules and regulations of local governments, autonomous regulations, separate regulations of autonomous regions, special administrative region law and international treaties and other regulatory documents signed by the PRC government. Court decisions do not constitute binding precedents, although they are used for the purposes of judicial reference and guidance.

According to the Constitution and the Legislation Law of the People's Republic of China (《中華人民共和國立法法》), or the Legislation Law, which was amended by the NPC on 13 March 2023 and became effective on 15 March 2023, the NPC and the SCNPC are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws governing criminal and civil matters, state organs and other matters. The SCNPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during the adjournment of the NPC, provided such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of state administration and has the power to formulate administrative regulations based on the Constitution and laws. The people's congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual needs of their respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations. The people's congresses of cities divided into districts and their standing committees may formulate local regulations on matters such as urban and rural construction and management, environmental protection and historical and cultural protection based on the specific circumstances and actual needs of such cities, provided that such local regulations do not contravene any provision of the Constitution, laws, administrative regulations and local regulations of such provinces or autonomous regions. Where laws have other stipulations on matters of local regulations formulated by cities divided into districts, such stipulations shall prevail. The local regulations of cities divided into autonomous regions for approval before implementation.

The standing committees of the people's congresses of provinces or autonomous regions shall examine the legality of local regulations submitted for approval, and such approval should be granted within four months if they are not in conflict with the Constitution, laws, administrative regulations and local regulations of their respective provinces or autonomous regions. People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in the light of the political, economic and cultural characteristics of the nationality (nationalities) in the areas concerned. The ministries, commissions, PBOC, NAO of the State Council and institutions with administrative functions directly under the State Council may formulate rules and regulations within the jurisdiction of their respective departments based on the laws and the administrative regulations, decisions and rulings of the State Council.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations or rules may contravene the Constitution. The authority of laws is greater than that of administrative regulations, local regulations and rules. The authority of administrative regulations is greater than that of local regulations and rules. The authority of the rules enacted by the people's governments of the provinces and autonomous regions is greater than that of the rules enacted by the people's governments of the cities divided into districts within their respective administrative regions.

The NPC has the power to alter or annul any inappropriate laws enacted by the SCNPC, and to annul any autonomous regulations and separate regulations which have been approved by the SCNPC but which contravene the Constitution and the Legislation Law; the SCNPC has the power to annul administrative regulations that contravene the Constitution and laws, to annul local regulations that contravene the Constitution, laws and administrative regulations, and to annul autonomous regulations and separate regulations which have been approved by the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities directly under the Central Government, but which contravene the Constitution and the Legislation Law; the State Council has the power to alter or annul any inappropriate ministerial rules and rules of local governments; the people's congresses of provinces, autonomous regions and municipalities directly under the Central Government have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees; the standing committees of the local people's congresses have the power to annul inappropriate rules enacted by the people's governments at the corresponding level; the people's governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people's governments at a lower level.

According to the Constitution and the Legislation Law, the power to interpret laws is vested in the SCNPC. According to the Decision of the SCNPC Regarding the Strengthening of Interpretation of Laws (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed by the SCNPC and effective on 10 June 1981, the Supreme People's Court shall give interpretation on questions involving the specific application of laws and decrees in court trials. The Supreme People's Procuratorate shall interpret all issues involving the specific

application of laws and decrees in the procuratorial work. Interpretation of questions involving the specific application of laws and decrees in areas unrelated to judicial and procuratorial work shall be provided by the State Council and competent authorities.

Where the scope of local regulations needs to be further defined or additional stipulations need to be made, the standing committees of the people's congresses of provinces, autonomous regions and municipalities directly under the Central Government which have enacted these regulations shall provide the interpretations or make the stipulations. Interpretation of questions involving the specific application of local regulations shall be provided by the competent departments of the people's governments of provinces, autonomous regions and municipalities.

PRC JUDICIAL SYSTEM

According to the Constitution and the Law of the PRC of Organization of the People's Courts (《中華人民共和國人民法院組織法》) amended by the SCNPC on 26 October 2018 and becoming effective on 1 January 2019, the PRC People's Court is made up of the Supreme People's Court, the local people's courts, and other special people's courts. The local people's courts are divided into three levels, namely the basic people's courts, the intermediate people's courts and the higher people's courts. The basic people's courts may set up certain people's tribunals based on the status of the region, population and cases. The Supreme People's Court shall be the highest judicial organ of the state. The Supreme People's Court shall supervise the administration of justice by the local people's courts at all levels and by the special people's courts. The people's courts at a higher level shall supervise the judicial work of the people's courts at lower levels.

According to the Constitution and the Law of Organization of the People's Procuratorate of the PRC (《中華人民共和國人民檢察院組織法》) revised by SCNPC on 26 October 2018 and taking effect on 1 January 2019, the People's Procuratorate is the law supervision organ of the state. The Supreme People's Procuratorate shall be the highest procuratorial organ. The Supreme People's Procuratorate shall direct the work of the local people's procuratorates at all levels and of the special people's procuratorates; the people's procuratorates at higher levels shall direct the work of those at lower levels.

The people's courts employ a two-tier appellate system, and judgments or rulings of the second instance at the people's courts are final. A party may appeal against the judgment or ruling of the first instance of a local people's courts. The people's procuratorate may present a protest to the people's courts at the next higher level in accordance with the procedures stipulated by the laws. In the absence of any appeal by the parties and any protest by the people's procuratorate within the stipulated period, the judgments or rulings of the people's courts are final. Judgments or rulings of the second instance of the intermediate people's courts, the higher people's courts and the Supreme People's Court and those of the first instance of the Supreme People's Court are final. However, if the Supreme People's Court or the people's courts at the next higher level finds any definite errors in a legally effective final

judgment or ruling of the people's court at a lower level, or if the chief judge of a people's court at any level finds any definite errors in a legally effective final judgment or ruling of such court, the case can be retried according to judicial supervision procedures.

The PRC Civil Procedure Law (《中華人民共和國民事訴訟法(2023年修訂)》), or the PRC Civil Procedure Law, adopted by the SCNPC on 1 September 2023 and effective on 1 January 2024 sets forth the requirements for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the PRC Civil Procedure Law. Civil cases are generally heard by the courts where the defendants are located. The court of jurisdiction in a civil action may be chosen by express agreement between the parties, provided that the court is located at a place that has direct connection with the dispute, such as the plaintiff's or the defendant's place of domicile, the place where the contract is performed or signed or the object of the action is located. However, the choice of the court cannot be in conflict with the regulations of different jurisdictions and exclusive jurisdictions in any case.

A foreign individual, a person without nationality, a foreign-invested enterprise or a foreign organization must have the same litigation rights and obligations as a PRC citizen, legal person or other organizations when initiating or defending any proceedings at a people's court. If a foreign court limits the litigation rights of PRC citizens and enterprises, the PRC court may apply the same limitations to the citizens and enterprises of such foreign country. A foreign individual, a person without nationality, a foreign-invested enterprise or a foreign organization must engage a PRC lawyer if such person needs to engage a lawyer in initiating or defending any proceedings at a people's court. Under an international treaty or the principle of reciprocity signed or acceded to by the PRC, the people's court and foreign courts may require each other to act on their behalf to serve documents, conduct investigations, collect evidence and take other actions on behalf of each other. If the request by a foreign court would result in the violation of the PRC's sovereignty, security or public interest, the people's court shall decline the request.

All parties must comply with legally effective civil judgments and rulings. If any party to a civil action refuse to comply with a judgment or order made by a people's court or an award made by an arbitration tribunal in the PRC, the other party may apply to the people's court for enforcement within two years. Suspension or disruption of the time limit for applying for such enforcement shall comply with the provisions of the applicable law concerning the suspension or disruption of the time-barring of actions.

When a party applies to a people's court for enforcing an effective judgment or ruling by a people's court against a party who is not located within the territory of the PRC or whose property is not within the PRC, the party may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or ruling. A foreign judgment or ruling may also be recognized and enforced by the people's court according to the PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant

foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principle of reciprocity, unless among other exceptions, the people's court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security, or for reasons of social and public interests.

THE PRC COMPANY LAW, TRIAL MEASURES AND GUIDELINES FOR ARTICLES OF ASSOCIATION

A joint stock limited company established in the PRC seeking a listing on The Stock Exchange of Hong Kong Limited is mainly subject to the following laws and regulations of the PRC.

The PRC Company Law (《中華人民共和國公司法》), or the Company Law, was adopted by the Fifth Standing Committee Meeting of the Eighth NPC on 29 December 1993 and came into effect on 1 July 1994, and was amended on 25 December 1999, 28 August 2004, 27 October 2005, 28 December 2013, 26 October 2018 and 29 December 2023. The latest revised Company Law came into effect on 1 July 2024.

The Trial Measures and its five interpretative guidelines promulgated by the CSRC on 17 February 2023 came into effect on 31 March 2023 and were applicable to the direct and indirect overseas share subscription and listing of domestic companies.

According to the Trial Measures and its interpretative guidelines, where a domestic company directly offering and listing overseas, it shall formulate its articles of association in line with the Guidelines for Articles of Association of Listed Companies (《上市公司章程指引》), or the Guidelines for Articles of Association, in place of the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas which ceased to apply from 31 March 2023. The Guidelines for Articles of Association were promulgated by the CSRC on 16 December 1997 and last amended on 15 December 2023.

Set out below is a summary of the major provisions of the Company Law, the Trial Measures and the Guidelines for Articles of Association which are applicable to our Company.

General Provisions

"A joint stock limited company" means a corporate legal person incorporated under the Company Law, whose registered capital is divided into shares of equal par value. The liability of its shareholders is limited to the extent of the shares held by them and the liability of a company is limited to the full value of all the property owned by it.

A company must conduct its business in accordance with laws as well as public and commercial ethics. A company may invest in other limited liability companies. The liabilities of the company to such invested companies are limited to the amount invested. Unless otherwise provided by laws, a company cannot be the capital contributor who has the joint liabilities associated with the debts of the invested enterprises.

Incorporation

A joint stock limited company may be incorporated by promotion or subscription. A joint stock limited company may be incorporated by a minimum of one but not more than 200 promoters, and at least half of the promoters must have residence within the PRC.

The promoters shall convene an inaugural meeting of the company within 30 days after the share capital has been paid-up and shall notified all subscribers the date of the meeting or make an announcement in this regard 15 days before the meeting. The inaugural meeting may be held only the presence of promoters and subscribers holding more than 50% of the total number of shares. Powers to be exercised at the inaugural meeting include but not limited to the adoption of articles of association and the election of members of the board of directors and the supervisory committee of a company. The aforesaid matters shall be resolved by more than 50% of the votes to be casted by subscribers presented at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors shall apply to the registration authority for registration of the incorporation of the joint stock limited company. A company is formally established and has the status of a legal person after the business license has been issued by the relevant registration authority.

Registered Shares

Under the Company Law, shareholders may make capital contributions in cash, or with non-monetary property that may be valued in money and legally transferred, such as contribution in kind or with an intellectual property rights, land use rights, shareholding or claims.

The Trial Measures provides that domestic enterprises that are listed overseas may raise funds and distribute dividends in foreign currencies or Renminbi.

Under the Company Law, a joint stock limited company is required to maintain a register of shareholders, detailing the following information: (i) the name and domicile of each shareholder; (ii) the class and number of shares subscribed for by each shareholder; (iii) the serial number of shares if issued in paper form; and (iv) the date on which each shareholder acquired the shares.

Allotment and Issue of Shares

All issue of shares of a joint stock limited company shall be based on the principles of equality and fairness. The same class of shares must carry equal rights. Shares issued at the same time and within the same class must be issued on the same conditions and at the same price. It may issue shares at par value or at a premium, but it may not issue shares below the par value.

Domestic enterprises issued and listed overseas shall file with the CSRC in accordance with Trial Measures, submit filing reports, legal opinions and other relevant materials, and truthfully, accurately and completely explain shareholder information and other information. Where a domestic enterprise directly issues and is listed overseas, the issuer shall file with the CSRC. If a domestic enterprise is indirectly listed overseas, the issuer shall designate a major domestic operating entity as the domestic responsible person and file with the CSRC.

Increase in Share Capital

Under the Company Law, in the case of a joint stock limited company issuing new shares, resolutions shall be passed at the shareholders' meeting in respect of the class and number of new shares, the issue price of the new shares, the commencement and end dates for the issuance of new shares and the class and number of the new shares proposed to be issued to existing shareholders, if any. If no par value stock is issued, the proceeds from the issuance of the new stocks shall be included into the registered capital. Additionally, if a company intends to make public offering of shares, it is required to complete the registration with the securities regulatory authority of the State Council and announce the prospectus.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the Company Law:

(i) to prepare a balance sheet and a property list;

(ii) a company makes a resolution at shareholders' meeting to reduce its registered capital;

(iii) a company shall inform its creditors within 10 days and publish an announcement in newspapers or the National Enterprise Credit Information Publicity System within 30 days after the approval of resolution of reducing registered capital;

(iv) the creditors shall have the right to require a company to repay its debts or provide corresponding guarantees within 30 days after receiving the notice or within 45 days after the announcement if the creditors have not received the notice;

(v) when a company reduces its registered capital, it shall register the change with a company registration authority in accordance with the law.

When a company reduces its registered capital, it must reduce the amount of capital contribution or shares in proportion to the capital contribution or shares held by the shareholders, unless otherwise prescribed by any law, or agreed upon by all the shareholders of a limited liability company, or as specified in the articles of association of a joint stock limited company.

Share Buy-Back

Under the Company Law, a company shall not purchase its own shares. Except for any following circumstances:

(i) reducing the registered capital;

(ii) merging with other company that holds the shares of the company;

(iii) using the shares for employee stocks plan or equity incentives;

(iv) with respect to shareholders voting against any resolution adopted at the shareholders' meeting on the merger or division of our Company, the right to demand our Company to acquire the shares held by them;

(v) using the shares for the conversion of convertible corporate bonds issued by the listed company;

(vi) as required for maintenance of the corporate value and shareholders' rights and interests of a listed company.

The purchase of shares of a company for reasons specified in the case of (i) to (ii) above shall be subject to the resolution of the meeting; the purchase of shares of a company for reasons specified in the case of (iii), (v) and (vi) above shall be subject to the resolution of the Board meeting attended by more than two-thirds of the directors in accordance with the provisions of the articles of association or the authorization from the meeting.

Following the purchase of a company's shares by a company in accordance with the above provisions, such shares shall be canceled within 10 days from the date of buy-back in the case of item (i) above; such shares shall be transferred or canceled within six months in the case of items (ii) and (iv) above; the total numbers of share of our Company held by a company shall not exceed 10% of the total issued shares of a company, and shall be transferred or canceled within three years in the case of items (iii), (v) and (vi) above.

Transfer of Shares

Shares held by a shareholder may be transferred according to the law. Under the Company Law, a shareholder should affect a transfer of his shares on securities established exchange according to the law or by any other means as required by the State Council. Registered shares may be transferred by endorsement of shareholders or by other means stipulated by laws or administrative regulations. After the transfer, a company shall record the name and address of the transferee in the register of shareholders. No changes of registration in the share register provided in the foregoing requirement shall be affected during a period of 20 days prior to the convening of shareholder's meeting or 5 days prior to the record date for a company's distribution of dividends. If any law, administrative regulation, or any provision by the securities regulatory authority of the State Council specifies otherwise for the modification of the register of shareholders of a listed company, such provisions should prevail.

Under the Company Law, shares issued by a company prior to the public offering of shares shall not be transferred within one year from the date on which the shares of accompany are listed and traded on a securities exchange. The directors, supervisors and senior management of the company should declare to the company the shares they hold and the changes thereof. During the term of office as determined when they assume the posts, the shares transferred each year should not exceed 25% of the total shares they hold of the company. Shares of a company held by its directors, supervisors and senior management shall not be transferred within one year from the date of a company's listing on a securities exchange, nor within six months after their resignation from their positions with a company.

If the shares are pledged within the time limit for restricted transfer as provided for by laws and administrative regulations, the pledgee cannot exercise the pledge right within such restricted period.

Shareholders

Under the Company Law and Guidelines for Articles of Association the rights of a shareholder of a company include:

(i) To receive dividends and other forms of interest distribution according to the number of shares held;

(ii) To legally require, convene, preside over, participate in or authorize proxies of Shareholders to attend the General Meeting and exercise corresponding voting rights;

(iii) To supervise business operations of our Company, provide suggestions or submit queries;

(iv) To transfer, grant or pledge the Company's shares held according to the provisions of the laws, administrative regulations and the Articles of Association;

(v) To read and copy the Articles of Association, the register of Shareholders, General Meeting minutes, resolutions of meetings of the Board of Directors, resolutions of meetings of the Board of Supervisors and financial and accounting reports;

(vi) Shareholders who hold more than 3% of the company's shares individually or collectively for more than 180 consecutive days may inspect the company's accounting books and accounting vouchers as required by laws;

(vii) To participate in the distribution of the remaining assets of our Company according to the proportion of shares held upon our termination or liquidation;

(viii) To require our Company to acquire the shares from Shareholders voting against any resolutions adopted at the General Meeting concerning the merger and division of the Company;

(ix) Other rights conferred by laws, administrative regulations, regulations of the authorities, regulatory rules where our Company's shares are listed, or the Articles of Association.

The obligations of a shareholder of a company include:

(i) To abide by laws, administrative regulations and the Articles of Association;

(ii) To provide Share capital according to the Shares subscribed for and Share participation methods;

(iii) Not to withdraw Shares unless prescribed otherwise in laws and administrative regulations;

(iv) Not to abuse Shareholders' rights to infringe upon the interests of the Company or other Shareholders; not to abuse the Company's status as an independent legal entity or the limited liability of Shareholders to damage the interests of the Company's creditors;

(v) To perform other duties prescribed in laws, administrative regulations, departmental rules and the securities regulatory rules of the place where the Company's shares are listed.

Shareholder's Meetings

Under the Company Law, the shareholders' meeting of a joint stock limited company is made up of all shareholders. The shareholders' meeting is the organ of authority of a company, which exercises the following functions and powers:

(i) to elect and replace directors and supervisors and to decide on matters relating to the remuneration of directors and supervisors;

(ii) to examine and approve reports of the board of directors;

(iii) to examine and approve reports of the supervisory committee;

(iv) to examine and approve a company's profit distribution plans and loss recovery plans;

(v) to resolve on the increase or reduction of a company's registered capital;

(vi) to resolve on the issuance of corporate bonds;

(vii) to resolve on the merger, division, dissolution, liquidation or change of corporate form of a company;

(viii) to amend the company's articles of association;

(ix) other functions and powers specified in provision of the articles of association.

Under the Company Law, annual shareholders' meetings are required to be held once every year. An extraordinary shareholders' meeting is required to be held within two months after the occurrence of any of the following circumstances:

(i) the number of directors is less than the number stipulated in the Company Law or less than two-thirds of the number specified in the articles of association;

(ii) when the unrecovered losses of a company amount to one-third of the total paid-up share capital;

(iii) shareholders individually or jointly holding 10% or more of the company's shares request;

(iv) when deemed necessary by the Board;

(v) the Supervisory Committee proposes to convene the meeting;

(vi) other circumstances as stipulated in the articles of association.

Shareholders' general meetings shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or not performing his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of directors shall preside over the meeting.

If the board of directors is incapable of performing or is not performing its duties to convene the general meeting, the supervisory board should convene and preside over shareholders' general meeting in a timely manner. If the supervisory board fails to convene and preside over shareholders' general meeting, shareholders individually or in aggregate holding 10% or more of the company's shares for 90 days or more consecutively may unilaterally convene and preside over shareholders' general meeting.

If the shareholders who separately or aggregately hold more than 10% of the shares of the company request to convene an interim shareholders' meeting, the board of directors and the board of supervisors should, within 10 days after the receipt of such request, decide whether to hold an interim shareholders' meeting and reply to the shareholders in writing.

Notice of meeting shall state the time and venue of and matters to be considered at the meeting and shall be given to all shareholders 20 days before the meeting. A notice of extraordinary meeting shall be given to all shareholders 15 days prior to the meeting.

Shareholders who individually or jointly hold more than 1% of the company's shares may put forward interim proposals and submit them to the convener in writing 10 days before the meeting of shareholders. The convener shall issue a supplementary notice of the meeting of shareholders within two days after receiving the proposal and announce the contents of the interim proposal.

Under the Company Law, a shareholder may entrust a proxy to attend a shareholders' meeting, and it should clarify the matters, power and time limit of the proxy. The proxy shall present a written power of attorney issued by the shareholder to a company and shall exercise his voting rights within the scope of authorization. There is no specific provision in the Company Law regarding the number of shareholders constituting a quorum in a shareholders' meeting.

Under the Company Law, shareholders present at a shareholders' meeting have one vote for each share they hold, except the shareholders of classified shares. However, shares held by the company itself are not entitled to any voting rights.

The cumulative voting system may be adopted for the election of directors and supervisors at the shareholders' meeting in accordance with the provisions of the articles of association or the resolutions of the shareholders' meeting. Under the accumulative voting system, each share shall have the same number of voting rights as the number of directors or supervisors to be elected at the shareholders' meeting, and shareholders may consolidate their voting rights when casting a vote.

Under the Company Law and the Guidelines for Articles of Association, the passing of any resolution requires affirmative votes of shareholders representing more than half of the voting rights represented by the shareholders who attend the shareholders' meeting. Matters relating to merger, division or dissolution of a company, increase or reduction of registered capital, change of corporate form or amendments to the articles of association must be approved by more than two-thirds of the voting rights held by the shareholders present at the meeting.

Directors

Under the Company Law, a joint stock limited company should have a board of directors, which consists of more than three members. The term of office of a director shall be stipulated in the articles of association, but each term of office shall not exceed three years. Directors may serve consecutive terms if re-elected.

Meetings of the board of directors shall be convened at least twice a year. All directors and supervisors shall be noticed 10 days before the meeting for every meeting. The Board exercises the following functions and powers:

(i) to convene shareholder's general meetings and report its work to the shareholder's general meetings;

(ii) to implement the resolutions of the shareholder's general meeting;

(iii) to decide on a company's business plans and investment plans;

(iv) to formulate a company's profit distribution plan and loss recovery plan;

(v) to formulate proposals for the increase or reduction of a company's registered capital and the issue of corporate bonds;

(vi) to formulate plans for cake, division, dissolution or change of corporate form of a company;

(vii) to decide on the internal management structure of a company;

(viii) to decide on the appointment or dismissal of the manager of a company and their remuneration; to decide on the appointment or dismissal of the deputy manager and financial officer of a company based on the nomination of the manager and as well as remuneration;

(ix) to formulate a company's basic management system;

(x) other functions and powers specified in the articles of association or granted by the shareholders' meeting.

Board meetings shall be held only if more than half of the directors are present. If a director is unable to attend a board meeting, he may appoint another director by a power of attorney specifying the scope of the authorization for another director to attend the meeting on his behalf. If a resolution of the board of directors violates the laws, administrative regulations or the articles of association, and as a result of which the company suffers serious losses, the directors participating in the resolution shall be liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director may be exempt from such liability.

Under the Company Law, a person may not serve as a director of a company if he/she is:

(i) a person without capacity or with restricted capacity;

(ii) a person who has been sentenced to any criminal penalty due to an offense of corruption, bribery, encroachment of property, misappropriation of property, or disrupting the order of the socialist market economy, or has been deprived of political rights due to a crime, where a five-year period has not elapsed since the date of completion of the sentence; if he/she is pronounced for suspension of sentence, a two-year period has not elapsed since the expiration of the suspension period;

(iii) a person who was a director, factory manager or manager of a company or enterprise which has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the insolvency and liquidation of such company or enterprise;

(iv) persons who were legal representatives of a company or enterprise which had its business license revoked due to violation of the law and had been closed down by order, and who were personally liable, where less than three years have elapsed since the date of the revocation of the business license of the company or enterprise or the order for closure; and

(v) being listed as one of "dishonest persons subject to enforcement" by the people's court due to his/her failure to pay off a relatively large amount of due debts.

The board of directors shall have one chairman, who shall be elected by more than half of all the directors. The chairman shall exercise the following functions and powers (including but not limited to):

(i) to preside over shareholders' meetings and convene and preside over board meetings;

(ii) to examine the implementation of resolutions of the Board;

(iii) to exercise other powers conferred by the Board.

Supervisors

Under the Company Law, a joint stock limited company shall have a supervisory committee composed of not less than three members. The supervisory committee shall comprise shareholder representatives and an appropriate proportion of the company's staff representatives, of which the proportion of staff representatives shall not be less than one-third and the specific proportion shall be stipulated in the articles of association. Employee representatives of the supervisory committee shall be democratically elected by the company's employees at the employee representative assembly, employee meeting or otherwise. Directors or senior management may not act concurrently as supervisors.

The Supervisory Committee exercises the following powers:

(i) to examine the company's financial affairs;

(ii) to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, administrative regulations, the articles of association or resolutions of shareholders' meetings;

(iii) to demand rectification by a director or senior management when the acts of such persons are harmful to the company's interest;

(iv) to propose the convening of extraordinary meetings, and to convene and preside over shareholders' meetings when the Board fails to perform the duty of convening and presiding over shareholders' meetings under the Company Law;

(v) to submit proposals to the shareholders' meeting;

(vi) to initiate legal proceedings against directors and senior management in accordance with the Company Law;

(vii) other functions and powers specified in the articles of association.

Managers and Senior Management

Under the Company Law, a company should have a manager who is appointed or removed by the board of directors. The manager is responsible to the board of directors and exercise his/her functions and powers according to the Articles of Association or the authorization of the board of directors. The manager attends the meetings of the board of directors as a non-voting member.

According to the Company Law, senior management shall refer to the manager, deputy manager(s), financial controller, secretary of the board of directors and other personnel as stipulated in the articles of association of the company.

Duties of Directors, Supervisors and Senior Management

Directors, supervisors and senior management of the company are required under the Company Law to comply with the relevant laws, regulations and the articles of association, and have fiduciary and diligent duties to the company. Directors, supervisors and senior management are prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating the company's properties.

Directors, supervisors and senior management are prohibited from:

(i) embezzling the company's property or misappropriating of the company's capital;

(ii) depositing the company's capital into accounts under his own name or the name of other individuals;

(iii) giving bribes or accepting any other illegal proceeds by taking advantage of their power;

(iv) accept and possess commissions paid by a third party for transactions conducted with the company;

(v) unauthorized divulgence of confidential business information of the company; or

(vi) other acts in violation of their fiduciary duty to the company.

If any director, supervisor or senior management directly or indirectly concludes a contract or conducts a transaction with the company, he/she should report the matters relating to the conclusion of the contract or transaction to the board of directors or shareholders' meeting, subject to the approval of the board of directors or shareholders according to the articles of association.

The provisions of the preceding paragraph shall apply if any near relatives of the directors, supervisors or senior management, or any of the enterprises directly or indirectly controlled by the directors, supervisors or senior management or any of their near relatives, or any related parties with any other related-party relationship with the directors, supervisors or senior management, concludes a contract or conducts a transaction with the company.

Neither director, supervisor or senior management may take advantage of his/her position to seek any business opportunity that belongs to the company for himself/herself or any other person except under any of the following circumstances:

(i) where he/she has reported to the board of directors or the shareholders' meeting and has been approved by a resolution of the board of directors or the shareholders' meeting according to the Articles of Association; or

(ii) where the company cannot make use of the business opportunity as stipulated by laws, administrative regulations or the Articles of Association.

Where any director, supervisor or senior management fails to report to the board of directors or the shareholders' meeting and obtain an approval by resolution of the board of directors or the shareholders' meeting according to the articles of association, he/she may not engage in any business that is similar to that of the company where he/she holds office for himself/herself or for any other person.

A director, supervisor or senior management who contravenes any law, regulation or the company's articles of association in the performance of his duties resulting in any loss to the company shall be personally liable for the damages to the company.

Finance and Accounting

Under the Company Law, a company shall establish its financial and accounting systems according to laws, administrative regulations and the regulations of the financial department of the State Council. At the end of each fiscal year, the company shall prepare a financial and accounting reports which shall be audited by an accounting firm in accordance with the law. The financial and accounting reports shall be prepared in accordance with the laws, administrative regulations and the regulations of the financial department of the State Council.

A joint stock limited company shall make its financial and accounting reports available at the company for inspection by the shareholders 20 days before the convening of an annual meeting of shareholders. A joint stock limited company issuing its shares in public must publish its financial and accounting reports.

When distributing each year's after-tax profits, the company shall set aside 10% of its profits into its statutory reserve fund. The company can no longer withdraw statutory reserve fund if it has accumulated to more than 50% of the registered capital. If the statutory reserve fund of the company is insufficient to make up for the losses of the previous years, the current year profits shall be used to make up for the losses before making allocations to the statutory reserve in accordance with the preceding paragraph. After the company has made an allocation to the statutory reserve fund from its after-tax profit, it may also make an allocation to the discretionary reserve fund from its after-tax profit upon a resolution of the meeting or the shareholders' meeting.

A joint stock limited company may distribute profits in proportion to the number of shares held by its shareholders, except for profit distributions that are not in proportion to the number of shares held in accordance with the provisions of the Articles of Association of the joint stock limited company.

The premium over the nominal value of the shares of a joint stock limited company from the issue of shares, the amount of share proceeds from the issuance of no-par shares that have not been credited to the registered capital and other incomes required by the financial department of the State Council to be treated as the capital reserve fund shall be accounted for as the capital reserve fund of the company.

The reserve fund of the company shall be used to make up losses of the company, expand the production and operation of the company or increase the capital of the company. Where the reserve fund of a company is used for making up losses, the discretionary reserve and statutory reserve shall be firstly used. If losses still cannot be made up, the capital reserve can be used according to the relevant provisions. When the statutory reserve fund is converted to increase registered capital, the balance of the statutory reserve shall not be less than 25% of the registered capital before such conversion.

The company shall not keep accounts other than those provided by law.

Appointment and Dismissal of Accounting Firms

Pursuant to the Company Law, the engagement or dismissal of an accounting firm responsible for the company's auditing shall be determined by a shareholders' meeting, the board of directors or the board of supervisors in accordance with the articles of association. The accounting firm should be allowed to make representations when the meeting, the board of directors or the board of supervisors conduct a vote on the dismissal of the accounting firm.

The company should provide true and complete accounting evidence, accounting books, financial and accounting reports and other accounting information to the engaged accounting firm without any refusal or withholding or falsification of information.

The Guidelines for Articles of Association provides that the company guarantees to provide true and complete accounting vouchers, accounting books, financial accounting reports and other accounting materials to the employed accounting firm, and shall not refuse, conceal or falsely report. And the audit fee of the accounting firm shall be decided by the meeting of shareholders.

Profit Distribution

Where a company distributes profits to shareholders in violation of the provisions of the Company Law, the shareholders shall refund the profits distributed to the company, and the shareholders, directors, supervisors, and senior management personnel who are responsible for causing losses to the company shall bear compensation liability.

Dissolution and Liquidation

According to the Company Law, a company shall be dissolved for the following reasons:

(i) the term of business stipulated in the Articles of Association has expired or other events of dissolution specified in the Articles of Association have occurred;

(ii) the meeting or the shareholders' meeting resolves to dissolve the company;

(iii) dissolution is necessary due to a merger or division of the company;

(iv) the business license is revoked, or the business license is ordered to be closed or revoked in accordance with laws;

(v) where the company encounters serious difficulties in its operation and management and its continuance shall cause a significant loss in the interest of shareholders, and where this cannot be resolved through other means, shareholders who hold more than 10% of the total shareholders' voting rights of the company may present a petition to a people's court for the dissolution of the company with the support of the judgment.

If any of the situations as mentioned in the preceding paragraph arises, a company shall publicize the situations through the National Enterprise Credit Information Publicity System within ten days.

Where the company is dissolved in accordance with sub-paragraph (i) above, it may carry on its existence by amending its articles of association or upon a resolution of the shareholders' meeting, which must be approved by more than two-thirds of the voting rights held by the shareholders present at the shareholders' meeting. Where the company is dissolved pursuant to sub-paragraphs (i), (ii), (iv) or (v) above, it shall be liquidated. The directors, who are the liquidation obligors of the company, shall form a liquidation group to carry out liquidation within 15 days from the date of occurrence of the cause of dissolution. The liquidation group shall be composed of the directors, unless it is otherwise provided for in the company's Articles of Association or it is otherwise elected by the shareholders' meeting. The liquidation obligors shall be liable for compensation if they fail to fulfill their obligations of liquidation in a timely manner, and thus any loss is caused to the company or the creditors.

The liquidation group fails to be formed within the time limit or fails to carry out the liquidation after its formation, any interested party may request the people's court to designate relevant persons to form a liquidation group. The people's court shall accept such request and organize a liquidation group to carry out the liquidation in a timely manner.

The liquidation committee shall exercise the following functions and powers during the liquidation period:

(i) to liquidate the company's property and respectively prepare balance sheet and list of property;

(ii) to notify creditors by notice or public announcement;

(iii) to deal with the outstanding business of the company involved in the liquidation;

(iv) to pay all outstanding taxes and taxes arising in the course of liquidation;

(v) to liquidate claims and debts;

(vi) distributing the remaining property of the company after paying off debts;

(vii) to participate in civil litigations on behalf of the company.

The liquidation group shall notify the company's creditors within ten days as of its formation and shall make a public announcement in the newspaper or on the National Enterprise Credit Information Publicity System within 60 days. The creditors shall file their proofs of claim with the liquidation group within 30 days as of the receipt of the notice or within 45 days as of the issuance of the public announcement in the case of failing to receive such notice.

The remaining property of the company after the payment of liquidation expenses, employees' wages, social insurance expenses and statutory compensation, outstanding taxes and the company's debts, shall be distributed to shareholders in proportion to their shareholdings.

During the liquidation period, the company shall continue to exist but shall not carry out any business activities unrelated to the liquidation. The company's assets shall not be distributed to the shareholders before the liquidation in accordance with the preceding paragraph.

If the liquidation committee, having thoroughly examined the company's assets and having prepared a balance sheet and an inventory of assets, discovers that the company's assets are insufficient to pay its debts in full, it shall file an application to a people's court for bankruptcy liquidation. After the people's court accepts the application for bankruptcy, the liquidation group shall hand over the liquidation matters to the bankruptcy administrator designated by the people's court.

Upon completion of the liquidation, the liquidation committee shall prepare a liquidation report to be submitted to the shareholders' meeting or the people's court for confirmation, and submit to the company registration authority to apply for cancelation of the company's registration.

The members of the liquidation group performing their duties of liquidation are obliged to loyalty and diligence. Any member of the liquidation group who neglects to fulfill his/her liquidation duties, thus causing any loss to the company shall be liable for compensation, and any member of the liquidation group who cause any loss to any creditor due to his/her intentional or gross negligence shall be liable for compensation.

Where, after three years since the business license of a company is revoked, or the company is ordered to close down or is revoked, the company fails to apply for its deregistration with the company registration authority, the said authority may announce the company's deregistration through the National Enterprise Credit Information Publicity System for a period of no less than 60 days. If there is no objection after the announcement period expires, the company registration authority may deregister the company.

Overseas Listing

According to the Trial Measures, where an issuer makes an overseas initial public offering or listing, it shall file with the CSRC within 3 working days after submitting the application documents for overseas issuance and listing. If an issuer issues securities in the same overseas market after overseas issuance and listing, it shall file with the CSRC within 3 working days after the completion of the issuance. If an issuer issues and lists in other overseas markets after overseas issuance and listing, it shall be filed in accordance with the provisions of the first paragraph of this article. Moreover, if the filing materials are complete and meet the

requirements, the CSRC shall complete the filing within 20 working days from the date of receiving the filing materials, and publicize the filing information through the website. If the filing materials are incomplete or do not meet the requirements, the CSRC shall inform the issuer of the materials to be supplemented within 5 working days after receiving the filing materials. The issuer shall supplement the materials within 30 working days.

Loss of Share Certificates

A shareholder may, in accordance with the public notice procedures set out in the PRC Civil Procedure Law, apply to a people's court if his share certificate(s) in registered form is either stolen, lost or destroyed, for a declaration that such certificate(s) will no longer be valid. After the people's court declared that such certificate(s) will no longer be valid, the shareholder may apply to the company for the issue of a replacement certificate(s).

Suspension and Termination of Listing

The Company Law has deleted provisions governing suspension and termination of listing. The PRC Securities Law (2019 revision) (《中華人民共和國證券法(2019年修訂)》) has also deleted provisions regarding suspension of listing. Where listed securities fall under the delisting circumstances stipulated by the stock exchange, the stock exchange shall terminate its listing and trading in accordance with the business rules.

According to the Trial Measures, in case of active or compulsory termination of listing, the issuer shall report the specific situation to the CSRC within 3 working days from the date of occurrence and announcement of the relevant matters.

SECURITIES LAW AND REGULATIONS

In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC. The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by Chinese companies in the mainland China or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking research and analysis. On 29 March 1998, the State Council consolidated the above two departments and reformed the CSRC.

The Provisional Regulations Concerning the Issue and Trading of Shares (《股票發行與交易管理暫行條例》) promulgated by the State Council and effective on 22 April 1993 provide the application and approval procedures for public offerings of shares, trading in shares, the acquisition of listed companies, the deposit, settlement and transfer of listed shares, the disclosure of information with respect to a listed company, investigation and penalties and dispute arbitration.

The Regulations of the State Council Concerning the Domestic Listed Foreign Shares of Joint Stock Limited Companies (《國務院關於股份有限公司境內上市外資股的規定》), which were promulgated by the State Council and came into effect on 25 December 1995, mainly provide for the issue, subscription, trading and payment of dividends of domestic listed foreign shares and disclosure of information of joint stock limited companies with domestic listed foreign shares.

The Securities Law of the People's Republic of China (《中華人民共和國證券法》), or the PRC Securities Law, which was amended by the Standing Committee of the NPC on 28 December 2019 and came into effect on 1 March 2020, provides a series of provisions regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities in the PRC, and comprehensively regulates activities in the PRC securities market. The PRC Securities Law provides that a domestic enterprise must comply with the relevant provisions of the State Council in issuing securities directly or indirectly outside the PRC or listing and trading its securities outside the PRC. Currently, the issue and trading of foreign issued shares are mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

Under the Arbitration Law of the People's Republic of China (《中華人民共和國仲裁法》), or the Arbitration Law, amended by the Standing Committee of the NPC on September 1 2017 and effective on January 1 2018, the Arbitration Law is applicable to economic disputes involving foreign parties, and all parties have entered into a written agreement to refer the matter to an arbitration committee constituted in accordance with the Arbitration Law. An arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with relevant regulations under the Arbitration Law and the PRC Civil Procedure Law. Where both parties have agreed to settle disputes by means of arbitration, the people's court will refuse to take legal action brought by a party in the people's court.

Under the Arbitration Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement according to the PRC Civil Procedure Law. A people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any procedural irregularity (including irregularity in the composition of the arbitration committee or the making of an

award on matters beyond the scope of the arbitration agreement or the jurisdiction of the arbitration commission). A party seeking to enforce an arbitral award of foreign arbitration commission against a party who or whose property is not within the PRC shall apply to a foreign court with jurisdiction over the case for recognition and enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the people's court in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC.

According to the Arrangement of the Supreme People's Court on Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的安排》) promulgated by the Supreme People's Court on 24 January 2000 and effective on 1 February 2000, and the Supplementary Arrangement of the Supreme People's Court on Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的補充安排》) promulgated by the Supreme People's Court on 26 November 2020 and effective on 27 November 2020, awards made by PRC arbitral authorities can be enforced in Hong Kong, and Hong Kong arbitration awards are also enforceable in the PRC.

This appendix contains a summary of the principal provisions of the Articles of Association of the Company which will be effective from the date of [**REDACTED**] of H Shares on the Hong Kong Stock Exchange. This appendix is primarily intended to provide potential [**REDACTED**] with an overview of the Company's Articles of Association and therefore may not contain all the information that is material to potential [**REDACTED**].

ISSUANCE OF SHARES

The shares of the Company shall be issued in an open, fair and equal manner. Each share of the same class shall rank *pari passu* with each other. Shares of a class in each issuance shall be issued under the same terms and at the same price. Each of the shares shall be subscribed for at the same price by any entity or individual.

INCREASE, DECREASE AND REPURCHASE OF SHARES

According to the operation and development needs of the Company, subject to the laws, regulations, and the listing rules of the place where the Company's shares are listed, the Company may increase the share capital in the following ways upon approval of resolutions at the shareholders' meeting:

(i) Public issuance of shares;

(ii) Non-public issuance of shares;

(iii) Distribution of bonus shares to existing shareholders;

(iv) Converting the reserve funds into share capital;

(v) Other means approved by the laws, administrative regulations or approved by the securities regulatory authorities and stock exchange(s) where the Company's shares are listed.

Our Company may decrease our registered share capital and shall comply with the procedures stipulated in the PRC Company Law and the Articles of Association.

Our Company shall not repurchase its own shares, unless otherwise under the circumstances:

(i) Reducing our Company's registered share capital;

(ii) Merging with other companies which hold our shares;

(iii) Using the shares for an employee stock ownership plan or equity incentive plan;

(iv) Purchasing its shares from Shareholders who have voted against the resolutions on the merger or division of the Company at a shareholders' meeting upon their request;

(v) Use of shares for conversion of convertible corporate bonds issued by the Company;

(vi) Necessary for the Company to maintain its value and protect the interests of the Shareholders.

The repurchase of the Company's shares by the Company may be carried out through public centralized trading, or other methods recognized by laws, administrative regulations and securities regulatory authorities and stock exchange(s) in the place where the Company's shares are listed, and shall comply with the provisions of applicable laws and regulations and the securities regulatory rules of the place where the Company's shares are listed. In the premise of complying with the applicable securities regulatory rules of the place where the Company's shares are listed, If the share repurchase is made under the circumstances stipulated in (iii), (v) or (vi) above, it shall be conducted through public centralized trading.

A resolution shall be passed at the shareholders' meeting when the Company is to repurchase its own shares under the circumstances (i) and (ii) set out above. In case of the circumstances stipulated in (iii), (v) and (vi) above, a resolution of the Company's Board shall be passed by more than two-thirds of the Directors attending the Board meeting in accordance with the provisions of the Articles of Association or the authorization of the shareholders' meeting, and on the premise of complying with the applicable securities regulatory rules of the place where the Company's shares are listed.

After the Company has repurchased its own shares in accordance with the circumstances above, the shares repurchased shall be canceled within ten days from the date of purchase (under the circumstance set out in (i) above), or shall be transferred or canceled within six months (under the circumstances set out in (ii) and (iv) above). If the Company repurchases its shares under the circumstances set out in (iii), (v) and (vi) above, the total number of shares held by the Company shall not exceed 10% of the total issued shares of the Company, and such shares shall be transferred or canceled within three years.

TRANSFER OF SHARES

Shares issued prior to the public offering of A shares of the Company shall not be transferred within one year from the date on which the A shares of the Company are listed and traded on the Shanghai Stock Exchange.

The Directors, Supervisors and senior management of the Company shall declare the Company of their holdings of shares of the Company and the changes therein. The shares transferred by them during each year of their tenures shall not exceed 25% of their total holdings of shares of the Company. The shares of the Company held by them shall not be transferred within one year from the date on which the Company's shares are listed for trading. The shares of the Company held by them shall not be transferred within half a year from their

departure from the Company. Where the securities regulatory rules of the place where the Company's shares are listed provide otherwise with respect to the restrictions on the transfer, such rules shall also be applicable.

If the shares are pledged within the restricted transfer period stipulated by laws and administrative regulations, the pledgee shall not exercise the pledge within the restricted transfer period.

Any gains from sale of Company's shares by the Directors, Supervisors and senior management members or shareholders holding 5% or more of the Company's shares within six months after their purchase of the same, and any gains from the purchase of the shares by any of the aforesaid parties within six months after sale of the same shall be disgorged and paid to the Company, and the Board of Directors of the Company shall recover such gains from the abovementioned parties. However, a securities company which holds 5% or more of the Company's shares as a result of its undertaking of the untaken shares in an offer, or other circumstances stipulated by the CSRC and the securities regulatory rules of the place where the Company's shares are listed, sale those Company's shares shall not be subject to the six-month time limit as set out above. The above shareholders holding 5% or more of the Company's shares do not include recognized clearing houses and their nominees as defined in the relevant ordinances from time to time in force under the laws of Hong Kong.

Shares or other securities with the nature of equity held by Directors, Supervisors, senior management and individual shareholders as mentioned in the preceding paragraph include shares or other securities with the nature of equity held by their spouses, parents or children, or held by them by using other people's accounts.

If the Board of Directors of the Company fails to comply with the provision set forth above, the Shareholders are entitled to request the Board of Directors to do so within 30 days. If the Board of Directors of the Company fails to comply within the aforesaid period, the Shareholders are entitled to initiate litigation directly in the People's Court of the PRC in their own names for the interest of the Company. And if the Board of Directors fails to implement the provisions set forth above, the responsible Directors shall bear joint and several liability in accordance with law.

FINANCIAL ASSISTANCE FOR THE ACQUISITION OF SHARES IN OUR COMPANY

The Company or its subsidiaries shall not offer any financial assistance by any means to purchasers or prospective purchasers who will or who intend to purchase the Company's Shares, except for the implementation of employee stock ownership plans by the Company.

SHAREHOLDERS AND SHAREHOLDERS' MEETINGS

Shareholders

The Company shall establish a register of shareholders in accordance with evidentiary documents provided by the securities registration authorities. The register of Shareholders is sufficient evidence to prove that the Shareholders hold the Company's Shares. The original register of Shareholders of H shares [**REDACTED**] in Hong Kong is kept in Hong Kong and is available for inspection by Shareholders, but the Company may suspend the registration of Shareholders in accordance with applicable laws and regulations and the securities regulatory rules of the place where the Company's Shares are listed. Shareholders shall enjoy rights and assume obligations according to the class of shares they hold. Shareholders holding shares of the same class shall enjoy the same rights and assume the same obligations.

The rights of our shareholders are as follows:

(i) To receive dividends and other forms of interest distribution according to the number of shares held;

(ii) To legally require, convene, preside over, participate in or authorize proxies of Shareholders to attend the shareholders' meeting and exercise corresponding voting rights;

(iii) To supervise business operations of our Company, provide suggestions or submit queries;

(iv) To transfer, grant or pledge the Company's shares held according to the provisions of the laws, administrative regulations and the Articles of Association;

(v) To read and copy the Articles of Association, the register of Shareholders, shareholders' meeting minutes, resolutions of meetings of the Board of Directors, resolutions of meetings of the Board of Supervisors and financial and accounting reports;

(vi) Shareholders who hold more than 3% of the Company's shares individually or collectively for more than 180 consecutive days may require to inspect the Company's accounting books and accounting vouchers as required by laws;

(vii) To participate in the distribution of the remaining assets of our Company according to the proportion of shares held upon our termination or liquidation;

(viii) To require our Company to acquire the shares from Shareholders voting against any resolutions adopted at the shareholders' meeting concerning the merger and division of the Company;

(ix) Other rights conferred by laws, administrative regulations, regulations of the authorities, regulatory rules where our Company's shares are listed, or the Articles of Association.

If a shareholder who holds more than 3% of the Company's shares individually or collectively for more than 180 consecutive days requests to inspect the Company's accounting books and accounting vouchers, he or she shall submit a written request to the Company stating the purpose. If the Company has a reasonable basis to believe that the shareholder's inspection of accounting books and accounting vouchers has an improper purpose and may harm the legitimate interests of the Company, it may refuse to provide such inspection, and shall reply to the shareholder in writing and explain the reasons within 15 days from the date of the shareholder's written request. If the Company refuses to provide inspection, the shareholder may file a lawsuit with the court of the PRC.

If the content of the resolution of the Company's shareholders' meeting or board of directors violates laws, administrative regulations or provisions of the Articles of Association, the shareholders have the right to request the court of the PRC to clarify it invalid. If the convening procedures or voting methods of the shareholders' meeting or the board of directors violate laws, administrative regulations or the Articles of Association, or the content of the resolution violates the Articles of Association, the shareholders have the right to request the court of the PRC to revoke the resolution within 60 days from the date on which the resolution is made. However, the resolution shall not be revoked if there are only minor flaws in the convening procedures or voting methods of the shareholders' meeting or the board meeting resulting in no substantial impact on the resolution.

In the event of any loss caused to our Company as a result of violation of any laws, administrative regulations or Articles of Association by the Directors or senior management when performing their duties in our Company, the Shareholders holding more than 1% shares separately or jointly for over 180 consecutive days may submit a written request to the Board of Supervisors to file an action with the court of the PRC. Where supervisors violate laws, administrative regulations or the Articles of Association in their duty performance and cause loss to our Company, the Shareholders holding more than 1% shares separately or jointly for over 180 consecutive days may submit a written request to the Board of Directors to file an action with the court of the PRC.

In the event that the Board of Supervisors or the Board of Directors refuse to file an action upon receipt of the Shareholders' written request specified in the preceding paragraph, or fail to file an action within 30 days upon receipt thereof, or in the event that the failure to immediately file an action in an emergency case will cause irreparable damage to the interests of our Company, the Shareholder(s) specified in the preceding paragraph may, in their own name, directly file an action to the court of the PRC for the interest of our Company.

In the event of any other person infringes upon the legitimate rights and interests of our Company and causes losses thereto, the shareholder(s) specified in this Articles of Association may file an action with the court of the PRC pursuant to the provisions of the preceding paragraphs.

If the directors, supervisors or senior managers of a wholly-owned subsidiary of the Company have any of the circumstances specified in the preceding paragraph, or if others infringe upon the legitimate rights and interests of the wholly-owned subsidiary of the Company and cause losses, the shareholders who hold more than 1% of the shares of the Company individually or collectively for more than 180 consecutive days may, in accordance with the the Articles of Association, request the Board of Supervisors or the board of directors of the wholly-owned subsidiary to file a lawsuit in the court of the PRC in writing or directly file a lawsuit in their own name with the court of the PRC.

The obligations of Shareholders are as follows:

(i) To abide by laws, administrative regulations and the Articles of Association;

(ii) To provide Share capital according to the Shares subscribed and the subscription methods;

(iii) Not to withdraw Shares unless prescribed otherwise in laws and administrative regulations;

(iv) Not to abuse Shareholders' rights to infringe upon the interests of the Company or other Shareholders; not to abuse the Company's status as an independent legal entity or the limited liability of Shareholders to damage the interests of the Company's creditors;

(v) To perform other duties prescribed in laws, administrative regulations, departmental rules, normative documents, the listing rules of the place(s) where the Company's shares are listed and the Articles of Association.

Any company Shareholder who abuses Shareholders' rights and causes the Company or other Shareholders to suffer a loss shall be liable for making compensation in accordance with the law. Any Shareholder who abuses the status of the Company as an independent legal entity or the limited liability of Shareholders to evade debts and seriously damages the interests of the Company's creditors shall assume joint and several liability for the Company's debts.

If a shareholder holding more than 5% of the voting shares of the Company pledges the shares he holds, he or she shall make a written report to the Company from the date of occurrence of such fact and make a declaration in accordance with applicable relevant laws and regulations.

The controlling Shareholders and actual controllers of the Company shall not use their connected relationship to damage the legitimate interests of the Company; who violate Articles of Association and cause losses to the Company shall be liable for compensation.

Controlling Shareholders and actual controllers of the Company shall have a duty of good faith to the Company and public Shareholders. Controlling Shareholders shall exercise their investors' rights in strict accordance with the law and shall not damage the legitimate rights and interests of the Company or of public Shareholders in any way such as via the distribution of profits, an asset reorganization, external investments, the capital occupation or the provision of a loan guarantee, nor shall they abuse their controlling positions to damage the interests of the Company or of public Shareholders. If the controlling Shareholders or actual controllers of the Company instructs the Directors or senior management personnel to engage in acts that harm the interests of the Company or Shareholders, the Directors or senior management personnel shall be jointly and severally liable.

GENERAL PROVISIONS FOR SHAREHOLDERS' MEETINGS

The shareholders' meeting is the organ of authority of the Company, which exercises its powers in accordance with the PRC Company Law:

(i) To elect or replace the Directors and Supervisors (other than the employee representatives) and to decide on matters relating to the remuneration of Directors and Supervisors;

(ii) To examine and approve reports of the Board of Directors;

(iii) To examine and approve reports of the Board of Supervisors;

(iv) To examine and approve the Company's proposals for profit distribution plans and loss recovery plans;

(v) To decide on any increase or decrease of the Company's registered capital;

(vi) To decide on the issue of corporate bonds by the Company;

(vii) To decide on matters such as merger, division, dissolution and liquidation or change of corporate form of the Company;

(viii) To amend the Articles of Association;

(ix) Resolution on appointment and dismissal of an accounting firm by the Company;

(x) To examine and approve the external guarantees stipulated in the Articles of Association that need to be examined and approved by the Shareholders' meeting;

(xi) To examine matters relating to the purchases and sales of the Company's material assets within one year, which exceed 30% of the Company's latest audited total assets;

(xii) To examine and approve matters relating to changes in the use of proceeds;

(xiii) To examine and approve the equity incentive plans and employee stock ownership plans;

(xiv) To examine other matters as required by the laws, administrative regulations, departmental rules, the securities regulatory rules of the place where the Company's shares are listed or the Articles of Association of the Company, which shall be decided by the shareholders' meeting.

The following acts of external guarantee of the Company shall be submitted to the shareholders' meeting for deliberation and approval:

(i) Any guarantee to be provided after the total amount of external guarantees provided by the Company and the subsidiaries it controls has exceeded 50% of the Company's net assets as audited in the latest period;

(ii) Any guarantee to be provided after the total amount of external guarantees provided by the Company has exceeded 30% of the Company's total assets audited in the latest period;

(iii) Basis of the cumulative guarantee amount in the last one year, the total amount of external guarantees provided by the Company has exceeded 30% of the Company's total assets audited in the latest period;

(iv) Any guarantee to be provided for a party whose ratio of liabilities to assets exceeds 70%;

(v) The single guarantee for an amount more than 10% of the Company's net assets audited in the latest period;

(vi) The guarantee to be provided to a Shareholder, or to an actual controller or related party thereof;

(vii) Other guarantees required by the laws, administrative regulations, departmental rules, the securities regulatory rules of the place where the Company's shares are listed or the Articles of Association of the Company that shall be approved by the shareholders' meeting.

The shareholders' meetings are divided into annual shareholders' meetings and extraordinary shareholders' meetings. The annual shareholders' meeting shall be convened once a year and be held within six months after the end of the previous fiscal year.

The Company shall convene an extraordinary shareholders' meeting within two months from the date of the occurrence of any of the following circumstances:

(i) The number of directors is less than the number provided for in the PRC Company Law or less than two-thirds of the number prescribed in the Articles of Association;

(ii) The uncovered losses of our Company reach one-third of its total paid-in share capital;

(iii) A written request from shareholders who separately or jointly hold 10% or more shares in the Company;

(iv) The Board of Directors considers it necessary;

(v) The Board of Supervisors proposes that such a meeting shall be held;

(vi) Other circumstances conferred by the laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's shares are listed and the Articles of Association.

CONVENING OF SHAREHOLDERS' MEETINGS

The independent Directors shall have the right to propose to the Board to convene an extraordinary shareholders' meeting. The Board shall, in accordance with relevant laws, administrative regulations and the Articles of Association, give a written response on whether or not it agrees to convene such an extraordinary shareholders' meeting within 10 days after the receipt of the proposal. If the Board agrees to convene an extraordinary shareholders' meeting, it shall give a notice convening such meeting within 5 days after it has so resolved. If the Board does not agree to convene the extraordinary shareholders' meeting, it shall give the reasons and make an announcement.

The Board of Supervisors shall have the right to propose to the Board in writing to convene an extraordinary shareholders' meeting. The Board shall, in accordance with relevant laws, administrative regulations and the Articles of Association, give a written response on whether or not it agrees to convene such an extraordinary shareholders' meeting within 10 days after the receipt of the proposal. If the Board agrees to convene an extraordinary shareholders' meeting, it shall give a notice convening such meeting within 5 days after it has so resolved. Any changes to be made to the original request in the notice shall be subject to approval of the Supervisory Committee. If the Board does not agree to convene an extraordinary shareholders'

meeting or fails to give a response within 10 days after the receipt of the proposal, the Board of Supervisors may convene and preside over such meeting on its own on the ground that the Board of Directors was unable or failed to perform its duty to convene a shareholders' meeting.

Shareholders who individually or collectively hold more than 10% of the shares of the Company shall have the right to request the Board of Directors to convene an extraordinary shareholders' meeting, and shall submit such request in writing to the Board of Directors. The Board of Directors shall in accordance with the provisions of laws, administrative regulations and the Articles of Association, provide written feedback on whether or not to convene the extraordinary shareholders' meeting within 10 days after receiving the request. Where the Board of Directors agrees to convene an extraordinary shareholders' meeting, it shall issue a notice of convening the shareholders' meeting within 5 days after the resolution of the Board of Directors is made, and changes to the original request in the notice shall be subject to the consent of the relevant shareholders. Where the Board of Directors does not agree to convene an extraordinary shareholders' meeting, or fails to give feedback within 10 days after receiving the request, shareholders who individually or collectively hold more than 10% of the Company's shares have the right to propose to the Board of Supervisors to hold an extraordinary shareholders' meeting, and shall make a written request to the Board of Supervisors. Where the Board of Supervisors agrees to convene an extraordinary shareholders' meeting, it shall issue a notice of convening the shareholders' meeting within 5 days of receiving the request, and any changes to the original request in the notice shall be subject to the consent of the relevant shareholders. Where the Board of Supervisors fails to issue a notice of the shareholders' meeting within the prescribed time limit, it shall be deemed that the Board of Supervisors has not convened and presided over the shareholders' meeting, and shareholders who individually or collectively hold more than 10% of the Company's shares for more than 90 consecutive days may convene and preside over it on their own.

PROPOSALS AND NOTICES OF SHAREHOLDERS' MEETINGS

The content of proposals shall fall within the functions and powers of the shareholders' meeting, have clear subject for discussion and specific matters to be resolved and comply with relevant requirements of the laws, administrative regulations, the securities regulatory rules of the place where the shares of the Company are listed and the Articles of Association.

The Board of Directors, the Board of Supervisors or Shareholders that hold, individually or collectively, 1% or more of the Shares of the Company shall have the right to propose resolutions in shareholders' meeting.

Shareholders that hold, individually or collectively, 1% or more of the Shares of the Company may submit *ad hoc* proposals in writing to the convener 10 days before the convening of the shareholders' meeting. The convener shall give a supplemental notice of the shareholders' meeting within 2 days upon receipt of the proposals and announce the contents of the *ad hoc* proposals and submit the *ad hoc* proposals to the shareholders' meeting for consideration, except for the cases where temporary proposal violates the provisions of laws, administrative regulations or the Articles of Association, or does not fall within the scope of

the authority of the shareholders' meeting. If the shareholders' meeting is postponed due to the issuance of a supplementary notice of the shareholders' meeting in accordance with the provisions of the securities regulatory rules of the place where the Company's shares are listed, the convening of the shareholders' meeting shall be postponed in accordance with the provisions of the securities regulatory rules of the place where the Company's shares are listed.

Except for the circumstances provided for in the preceding paragraph, the convener shall not modify the proposals already listed in the notice of the shareholders' meeting or add new proposals after issuing the notice of the shareholders' meeting. The shareholders' meeting shall not vote and make resolutions on proposals that are not specified in the notice of the shareholders' meeting or do not conform to the provisions of the Articles of Association.

The convener of an annual shareholders' meeting shall notify all Shareholders by means of an announcement 21 days before the meeting; the convener of an extraordinary shareholders' meeting shall notify all Shareholders by means of an announcement 15 days before the meeting. Where the laws, administrative regulations and the securities regulatory rules of the place where the Company's shares are listed provide otherwise in respect of the matter, such rules shall also be applicable.

A notice of a shareholders' meeting shall include the following:

(i) the time, venue and duration of the meeting;

(ii) matters and proposals submitted to the meeting for consideration;

(iii) a prominent written statement that all Shareholders are entitled to attend shareholders' meeting and are entitled to appoint in writing a proxy to attend and vote at the meeting and that such proxy need not be a shareholder of the Company;

(iv) the record date of registration of Shareholders entitled to attend the shareholders' meeting;

(v) the name and telephone number of the regular contact person for the meeting;

(vi) the time and procedure for voting online or through other means;

(vii) Other requirements stipulated in laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's shares are listed and the Articles of Association.

Notices or supplementary notices of shareholders' meetings shall adequately and completely disclose the specific contents of all proposals. Where the opinions of an independent Director are required on the matters to be discussed, such opinions and reasons thereof shall also be disclosed when the notices or supplementary notices of shareholders' meetings are served.

After the notice of the shareholders' meeting is issued, the shareholders' meeting shall not be postponed or canceled without justifiable reasons, and the proposals listed in the notice of the shareholders' meeting shall not be canceled. Once there is a postponement or cancelation, the organizer shall make an announcement and explain the reasons at least 2 working days before the original date of the convening. If the securities regulatory rules of the place where the Company's shares are listed have special provisions on the procedures for postponing or canceling the shareholders' meeting, it shall comply with the relevant provisions on the premise of not violating the domestic regulatory requirements.

CONVENING OF SHAREHOLDERS' MEETINGS

Shareholders may attend the shareholders' meeting in person, or they may entrust proxies to attend, speak and vote on their behalf. Each shareholder has the right to appoint one or more proxies, but the proxies need not be shareholders of the Company. The shareholder's proxies may, in accordance with the shareholder's entrustment, exercise the following rights: (1) The shareholder's right to speak at the shareholders' meeting; (2) Requesting voting by means of ballot, either on their own or jointly with others; (3) Except as otherwise provided by relevant laws, administrative regulations, the listing rules of the stock exchange(s) where the Company's shares are listed or other securities laws and regulations, the right to vote shall be exercised by a show of hands or a vote.

All Directors, Supervisors and secretary of the Board shall attend shareholders' meetings of the Company, and the General Manager (President) and other senior management shall observe the meeting. Subject to compliance with the securities regulatory rules of the place where the shares of the Company are listed, the aforementioned persons may attend or observe the meeting through the internet, video, telephone or other means with equivalent effect.

A shareholder's meeting shall be presided over by the Chairman of the Board. Where the Chairman of the Board is unable or fails to perform his/her duties, the meeting shall be presided over by a Vice Chairman. Where the Vice Chairman of the Board is unable or fails to perform his/her duties, the meeting shall be presided over by a Director jointly elected by more than half of the Directors. A shareholders' meeting convened by the Board of Supervisors shall be presided over by the Chairman of the Board of Supervisors. Where the Chairman of the Board of Supervisors is unable or fails to perform his/her duties, the meeting shall be presided over by a Supervisor jointly elected by more than half of the Supervisors. A shareholders' meeting convened by Shareholders shall be presided over by a representative elected by convener(s). Where the host of the meeting violates the rules of procedure and makes it impossible to

continue the meeting, with the consent of more than half of the Shareholders present at the meeting with voting rights, the shareholders' meeting may elect a person to serve as the host of the meeting and continue the meeting.

The Company formulates the rules of procedure of the shareholders' meeting, which stipulate in detail the convening and voting procedures of the shareholders' meeting, including notice, registration, consideration of proposals, voting, counting, announcement of voting results, formation of meeting resolutions, meeting minutes and signings and announcements, etc., as well as the authorization principles of the shareholders' meeting to the Board of Directors, and the authorization content should be clear and specific. The rules of procedure of the shareholders' meeting shall be annexed to the Articles of Association, drawn up by the Board of Directors and approved by the shareholders' meeting.

VOTING AT THE SHAREHOLDERS' MEETING

The resolutions of the Shareholders' meeting are divided into ordinary resolutions and special resolutions. An ordinary resolution at a shareholders' meeting shall be passed by more than half of the voting rights held by the shareholders present at the shareholders' meeting (including proxies). A special resolution at a shareholders' meeting shall be passed by at least two-thirds of the voting rights held by the shareholders present at the shareholders' meeting (including proxies).

The following matters shall be approved by the shareholders' meeting through ordinary resolutions:

(i) Work reports of the Board of Directors and the Board of Supervisors;

(ii) Plans of earnings distribution and recovery of losses schemes drafted by the Board of Directors;

(iii) Appointment or dismissal of the members of the Board of Directors and the Board of Supervisors, their remunerations and the payment method;

(iv) Annual report of the Company;

(v) The Company's engagement and dismissal of the accounting firm and the decision on the audit fee of the accounting firm;

(vi) Other matters other than those approved by special resolution stipulated in the laws, administrative regulations, securities regulatory rules of the place where the Company's Shares are listed or the Articles of Association.

The following matters shall be approved by special resolution at the shareholders' meeting:

(i) The increase or reduction of the registered capital of the Company;

(ii) The division, merger, dissolution and liquidation of the Company;

(iii) Any amendment to the Articles of Association;

(iv) The purchase and sale of material assets or amount of guarantee provided by the Company within one year valued at more than 30% of the audited total assets of the Company as at the most recent period;

(v) Share incentive plan;

(vi) other matters as required by the laws, administrative regulations, the securities regulatory rules of the place where the shares of the Company are listed or the Articles of Association, and considered by the shareholders' meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on the Company, shall be passed by a special resolution.

Shareholders (including proxies) shall exercise voting rights based on the number of shares with voting rights held by them, and each share shall be entitled to one vote.

Where material issues affecting the interests of minority shareholders are considered at the shareholders' meeting, the votes of minority shareholders shall be counted separately. The separate votes counting results shall be disclosed publicly in a timely manner.

The shares held by the Company shall have no voting right, and shall not be included in the total number of shares with voting rights of shareholders present at the shareholders' meeting. If a shareholder purchases shares with voting rights of the Company in violation of the provisions of Article 63(1) and (2) of the Securities Law, the voting rights of such shares in excess of the prescribed proportion shall not be exercised and shall not be counted towards the total number of shares with voting rights present at the shareholders' meeting for thirty-six months after the purchase.

If any shareholder, under applicable laws and regulations and Hong Kong Listing Rules, is required to abstain from voting on any particular matter being considered or is restricted to voting only for or only against any particular matter being considered, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

The Board of Directors, independent Directors, shareholders holding more than 1% of the shares with voting rights or investor protection agencies established in accordance with laws, administrative regulations or the provisions of the securities regulatory authorities of the place

where the Company's shares are listed may publicly solicit shareholders' voting rights, the Company shall not impose minimum shareholding restrictions on the solicitation of voting rights other than the statutory conditions. Consideration or de facto consideration for soliciting Shareholders voting rights is prohibited.

When a connected transaction is considered at a shareholders' meeting, the connected shareholders shall refrain from voting and the number of voting shares that they represent shall not be counted the total number of valid voting shares. Announcement of resolutions of the shareholders' meeting shall fully disclose the voting of non-connected shareholders.

BOARD OF DIRECTORS

Directors

Directors may include executive Directors, non-executive Directors, and independent Directors. Independent Directors refer to individuals who meet the requirements stipulated in the Articles of Association. Directors of the Company shall be natural persons and shall be subject to the qualification required by the laws, administrative regulations, departmental rules and the securities regulatory rules of the place where the shares of the Company are listed. A person may not serve as a Director of the Company in case of any of the following circumstances:

(i) the person without civil conduct capacity or with limited civil conduct capacity;

(ii) the person who has committed an offense of corruption, bribery, conversion of property, misappropriation of property or sabotaging the market economic order of socialism and has been punished therefor; or who has been deprived of his/her political rights, in each case where less than 5 years have elapsed since the date of the completion of implementation of such punishment or deprivation; in the case of a suspended sentence, for a period not exceeding two years from the date of expiry of the probationary period;

(iii) the person who is a former director, factory director or General Manager (President) of a company or enterprise which is insolvent and under liquidation and he/she is personally liable for the insolvency of such company or enterprise, where less than 3 years have elapsed since the date of the completion of such insolvency and liquidation of the company or enterprise;

(iv) the person who is a former legal representative of a company or enterprise which had its business license revoked and was ordered to shut down due to a violation of the law and who incurred personal liability, where less than 3 years have elapsed since the date of such revocation of the business license;

(v) the person listed as a judgment defaulter by the court of the PRC because the amount of debt he bears is relatively large and the debt is not paid off when it is due;

(vi) the person has been banned by the CSRC or Hong Kong Stock Exchange from access to the securities market, and the term of prohibition has not expired;

(vii) other contents stipulated by laws, administrative regulations or departmental rules or the securities regulatory rules of the place where the shares of the Company are listed.

Where a Director is elected or appointed in violation of the provisions above, the election, appointment or appointment shall be invalid. If a Director falls under the provisions above during his or her tenure, the Company shall dismiss him or her from office.

Directors shall be elected or replaced at the shareholder's meeting and may be dismissed (including executive Directors) by the shareholders' meeting prior to the expiry of the term of their office. The shareholders' meeting may depose any Director whose term has not expired by ordinary resolution (but claims that may be made under any contract will not be affected). A Director shall serve a term of three years and may serve consecutive terms if re-elected upon the expiration of their terms in accordance with securities regulatory rules of the place where the shares of the Company are listed.

The term of office of a Director shall commence from the date of taking the position until the expiry of the term of office of the current session of the Board. Where a re-election fails to be carried out in a timely manner upon the expiry of the term of office of a Director, such Director shall continue to perform his/her duties as a Director in accordance with the laws, administrative regulations, departmental rules and the Articles of Association.

General manager (president) or other senior management officers may serve concurrently as Directors, provided that the total number of such Directors who concurrently serve as general manager (president) or other senior management personnel and the employee representatives shall not exceed a half of the total number of the Directors of the Company.

Directors shall abide by laws, administrative regulations and the Articles of Association, and have the following diligent obligations to the Company, and shall perform their duties with the reasonable care normally expected of a manager in the best interests of the Company:

(i) Shall prudently, earnestly and diligently exercise the powers the Company grants to them to ensure that the Company conducts its commercial activities in a manner that complies with the requirements of state laws, administrative regulations and government economic policies, and that the Company's commercial activities do not go beyond the scope of the business activities stipulated in the Company's business license;

(ii) Shall treat all Shareholders fairly;

(iii) Shall maintain a timely awareness of the operation and management of the Company;

(iv) Shall sign written statements confirming the regular reports of the Company, and ensure that the information disclosed by the Company is true, accurate and complete;

(v) Shall truthfully provide information and materials to the Board of Supervisors and shall not obstruct the Board of Supervisors or individual Supervisors from performing its or their duties;

(vi) Other obligations of diligence stipulated in the laws, administrative regulations, departmental rules, the securities regulatory rules of the place where the Company's Shares are listed and the Articles of Association.

Directors may resign prior to the expiration of their terms of office. The Directors who resign shall submit to the Board a written report in relation to their resignation. Relevant information shall be disclosed by the Board within 2 days or the period required by the securities regulatory rules of the place where the Company's Shares are listed. In the event that the resignation of any Director results in the number of members of the Board falling below the statutory minimum requirement, the resigned Directors shall continue to perform his/her duties in accordance with laws, administrative regulations, departmental rules and the Articles of Association until the newly elected Director assumes the office.

The fiduciary duty to the Company and Shareholders shall remain in effect after the resignation report has not yet taken effect or has taken effect, and for one year after the end of the term of office, and the obligation to keep the Company's trade secrets confidential shall remain in effect until the secret becomes public information after the end of his or her term of office.

Without the provisions of the Articles of Association or the lawful authorization of the Board of Directors, no Director shall act in his own name on behalf of the Company or the Board of Directors. When a Director acts in his/her own name, the Director shall declare his/her position and identity in advance if the third party reasonably believes that the Director is acting on behalf of the Company or the Board of Directors.

The qualifications, nomination and election procedures, powers and other related matters of Independent Directors shall be implemented in accordance with the relevant provisions of laws, administrative regulations, departmental rules and securities rules of the place where the Company's shares are listed.

BOARD OF DIRECTORS

The Company has established a Board of directors which shall be accountable to the shareholders' meetings.

The Board shall comprise 9 to 11 Directors, with 1 Chairman and 1 Vice Chairman if necessary.

The Board shall exercise the following duties and powers:

(i) to convene shareholders' meetings and report its work to the shareholders' meetings;

(ii) to implement the resolutions of the shareholders' meetings;

(iii) to resolve business operation plans and investment plans of the Company;

(iv) to formulate the profit distribution plans and plans for recovery of losses of the Company;

(v) to formulate plans of the Company regarding increase or reduction of the registered capital, issuance of bonds or other securities and listing;

(vi) to draft plans for significant acquisitions of the Company, the purchase of Shares of the Company, merger, division, dissolution or change of the form of the Company;

(vii) to determine, to the extent authorized by the shareholders' meeting, on such matters as the external investments, purchase or sale of assets, assets mortgage, external guarantee, entrusted wealth management, connected transactions of the Company;

(viii) to determine the internal management structure of the Company;

(ix) to determine the appointment or dismissal of the general manager (president) of the Company, the Board secretary; and based on the nomination of the general manager (president), to determine the appointment or dismissal of the senior management including Executive Vice President, Senior Vice President and chief financial officer of the Company and determine their remuneration, rewards and penalties;

(x) to formulate the basic management system of the Company;

(xi) to formulate proposals for any amendment of the Articles of Association;

(xii) to manage the information disclosure of the Company;

(xiii) to propose to the shareholders' meeting for appointment or replacement of the accounting firms which provide audit services to the Company;

(xiv) to listen to work reports of the general manager (president) of the Company and review his/her work;

(xv) to review and approve the Company's ESG strategy, vision and goals, and monitor the Company's ESG performance and progress towards related goals;

(xvi) other duties as stipulated in laws, administrative regulations, departmental rules, securities regulatory rules of the place where the shares of the Company are listed and the Articles of Association.

The Board of Directors of the Company has established the Audit Committee, the Strategy Committee, the Nomination Committee, and the Remuneration and Evaluation Committee. The special committees are responsible to the Board of Directors and performs their duties in accordance with the Articles of Association and the authorization of the Board of Directors, and the proposal shall be submitted to the Board of Directors for deliberation and decision. The members of the special committees are all composed of Directors, of which the independent Directors of the Audit Committee, the Nomination Committee and the Remuneration and Evaluation Committee shall account for the majority and serve as the Chairman (convener), and the members of the Audit Committee shall be Directors who do not serve as senior management personnel of the Company, and the chairmen shall be accounting professionals. The Board of Directors is responsible for formulating the detailed rules for the implementation of the special committees and regulating the operation of the special committees. Matters beyond the scope of authorization of the shareholders' meeting shall be submitted to the shareholders' meeting for deliberation.

The Chairman and Vice Chairman of the Board of Directors shall be elected by more than half of all Directors.

Where the Chairman of the Board is unable or fails to perform his/her duties, the duties shall be performed by the Vice Chairman; Where the Vice Chairman of the Board is unable or fails to perform his/her duties, the duties shall be performed by a Director jointly elected by more than half of the Directors.

The Board shall convene at least one meeting per quarter by the Chairman, which shall be convened by the Chairman of the Board of Directors, and shall give written notice (including personal delivery, facsimile or e-mail) to all Directors and Supervisors 14 days prior to the convening of the meeting, while 7 days before convening the extraordinary meeting of the Board, and in exceptional circumstances, the Board may convene a meeting at any time, provided that it is ensured that the notice reaches all Directors in a timely and effective manner. Shareholders representing more than 1/10 of the voting rights, more than 1/3 of the Directors or the Board of Supervisors may propose to convene an extraordinary meeting of the Board. The Chairman of the Board shall convene and preside over the extraordinary meeting of the Board within 10 days from the receipt of the proposal.

The quorum of a Board meeting shall be more than half of all Directors. A resolution of the Board shall be passed by more than half of all Directors. Where the laws, administrative regulations and the securities regulatory rules of the place where the Company's shares are listed provide otherwise in respect of the matter, such rules shall also be applicable. Each Director has equal right of one vote.

Where a Director has any connected relationship with the enterprise involved in the matter to be decided at the Board meeting, he/she shall report to the Board in writing timely and shall not exercise his/her voting rights on the resolution, nor shall he/she exercise his/her voting rights on behalf of other Directors. The quorum of such a Board meeting shall be more than half of all the non-connected Directors, and the resolutions made at such a Board meeting shall require adoption by more than half of all the non-connected Directors. If the number of non-connected Directors in presence is less than 3 persons, the matter shall be submitted to the shareholders' meeting for deliberation. If there are any additional restrictions imposed by laws and regulations and the securities regulatory rules of the place where the shares of the Company are listed on the participation of Directors in the Board meetings and voting, such provisions shall apply.

Directors shall attend Board meetings in person. If any Director is unable to attend the meeting for any reason, he/she may by a written power of attorney appoint another Director to attend the meeting on his/her behalf. The power of attorney shall include the name of the proxy, the subject, scope of authorization and validity period, which shall be signed or officially sealed by the appointing Director. A Director appointed as the representative of another Director to attend the meeting shall exercise the rights of a Director within the scope of authorization. Where a Director does not attend a Board meeting and does not appoint a proxy to attend the meeting on his behalf, he/she shall be deemed to have waived his/her voting right in such meetings.

GENERAL MANAGER (PRESIDENT) AND OTHER SENIOR MANAGEMENT MEMBERS

The Company shall have one General Manager (president) who shall be nominated by the Chairman of the Board and appointed or dismissed by the Board. The Company may have several deputy General Managers and senior deputy General Managers as necessary.

The senior management of the Company refers to the General Manager (president), executive vice president, senior vice president, secretary of the Board of Directors and chief financial officer appointed by the Board of Directors.

The circumstances of disqualification for Directors, the fiduciary duty and diligence duty of the Directors prescribed in the Articles of Association shall also be applicable to senior management.

The General Manager (president) shall serve for a term of 3 years and may serve consecutive terms if re-appointed.

The General Manager (president) of our Company is responsible to the Board of Directors and exercises the following powers:

(i) To be in charge of the Company's production, operation and management, and to organize and implement the resolutions of the Board of Directors and report on works to the Board of Directors;

(ii) To organize and implement the Company's annual business plan and investment proposals;

(iii) To draft plans for the establishment of the Company's internal management organization;

(iv) To draft the Company's basic management system;

(v) To draft the Company's specific regulations;

(vi) To propose to the Board of Directors on the appointment or dismissal of executive vice president, senior vice president and chief financial officer of the Company;

(vii) To appoint or dismiss management personnel other than those required to be appointed or dismissed by the Board of Directors;

(viii) Other functions and powers conferred by the Articles of Association or the Board of Directors.

The Company shall have a Board secretary who is nominated by the Chairman and appointed or dismissed by the the Board of Directors. The Board secretary is responsible for preparing for the shareholders' meetings and Board meetings, and maintaining documents and managing Shareholders' information, as well as handling information disclosure matters.

The senior management of the Company shall perform their duties faithfully and safeguard the best interests of the Company and all Shareholders. If the senior management of the Company fails to perform their duties faithfully or violates their fiduciary duties, causing damage to the interests of the Company and public Shareholders, they shall be liable for compensation in accordance with the laws.

SUPERVISORY COMMITTEE

Supervisors

The circumstances of disqualification for Directors prescribed in the Articles of Association shall be applicable to Supervisors. Directors, the General Manager (president) and other senior management shall not concurrently serve as Supervisors.

A Supervisor shall serve for a term of 3 years and may serve consecutive terms if re-appointed upon expiry of a term.

Where a re-election fails to be carried out in a timely manner upon the expiry of the term of office of a Supervisor, or in the event that the resignation of the Supervisor during his/her term of office results in the number of members of the Board of Supervisors falling below the statutory minimum requirement, such Supervisor shall continue to perform his/her duties as a Supervisor in accordance with the laws, administrative regulations, departmental rules and the Articles of Association until the newly elected Supervisor assumes the office.

Supervisors shall not use their affiliated (connected) relationships to damage the interests of the Company, and shall be liable for compensation if they cause losses to the Company.

If Supervisors of the Company violate the laws, administrative regulations, departmental rules and the Articles of Association when conducting their duties, causing damage to the interests of the Company, they shall be liable for compensation.

BOARD OF SUPERVISORS

The Company shall have a Board of Supervisors. The Board of Supervisors comprises 3 Supervisors with 1 chairman. The Chairman of the Board shall be elected by more than half of all the Supervisors. The Chairman of the Board shall convene and preside over supervisory board meetings. Where the Chairman of the Board is unable or fails to perform his/her duties, the supervisory board meetings shall be convened and presided over by a Supervisor jointly elected by more than half of the Supervisors.

The Board of Supervisors shall include representatives of Shareholders and a proper proportion of employee representatives of the Company. The proportion of employee representatives shall be no less than one third of the Supervisors appointed. The employee representatives of the Board of Supervisors shall be elected by the Company's employees through the employee representatives meeting, employee meeting or otherwise democratically.

The Board of Supervisors shall exercise the following duties and powers:

(i) to review the periodic reports of the Company prepared by the Board of Directors and express its written opinion;

(ii) to check the financial condition of the Company;

(iii) to supervise the performance of Directors and senior management in the performance of their duties, and propose the removal of Directors and senior management who violate laws, administrative regulations, the Articles of Association or the resolutions of the shareholders' meetings;

(iv) to require Directors and the senior management to make corrections if their conduct has damaged the interests of the Company;

(v) to propose the convening of extraordinary shareholders' meetings and, in the event that the Board of Directors fails to perform the obligations to convene and preside over the shareholders' meetings in accordance with the PRC Company Law, to convene and preside over the shareholders' meetings;

(vi) to propose proposals to the shareholders' meetings;

(vii) to file lawsuit against Directors and senior management in accordance with Article 189 of the PRC Company Law;

(viii) in case of any irregularity identified in the operations of the Company, investigations may be conducted, and if necessary, professional institutions such as accounting firms and law firms may be engaged to assist in their work at the expense of the Company;

(ix) Other functions and powers granted by laws, administrative regulations, departmental rules, the listing rules of the stock exchange(s) where the Company's shares are listed or the Articles of Association.

The Board of Supervisors shall convene at least one regular meeting every six months. Supervisors may propose to convene an extraordinary supervisory board meeting. Resolutions of the Board of Supervisors shall be passed by more than half of the Supervisors with one vote for each Supervisor.

FINANCIAL ACCOUNTING SYSTEM, DISTRIBUTION OF PROFITS AND AUDIT

Financial Accounting System

The Company shall formulate its financial and accounting systems in accordance with laws, administrative regulations, the securities regulatory rules of the place where the shares of the Company are listed and regulations of relevant departments.

The Company's fiscal year is based on the calendar year system, i.e., the fiscal year begins on January 1 and ends on December 31 of each calendar year.

A Share Reports: The Company shall report and disclose its annual reports to the CSRC and the Shanghai Stock Exchange within 4 months from the ending date of each fiscal year, report and disclose its interim report to the delegated authority of the CSRC and the Shanghai Stock Exchange within 2 months from the end of the first half of each fiscal year, report and disclose its quarterly report to the delegated authority of the CSRC and the Shanghai Stock Exchange within 1 month from the end of the first 3 months and 9 months of each accounting year.

H Share Reports: The Company shall disclose a preliminary announcement of the annual performance within 3 months from the end of each accounting year and prepare and disclose the annual report within 4 months from the end of each accounting year, with at least 21 days before the annual shareholders' meeting. The Company shall disclose a preliminary announcement of the interim performance within 2 months from the end of the first 6 months of each accounting year and prepare and disclose the interim report within 3 months from the end of the first 6 months of each accounting year.

The Company shall not establish the statutory account books accounts other than those provided by law. Any assets of the Company shall not be kept under any account opened in the name of any individual.

Profit distribution

When distributing after-tax profits of the year, the Company shall allocate 10% of its after-tax profits for the Company's statutory reserve fund. When the aggregate balance in the statutory reserve fund has reached 50% or more of the Company's registered capital, the Company needs not to make any further allocations to that fund. Where the Company's statutory reserve fund is not enough to make up losses of the Company for the preceding year, the current year's profits shall be applied firstly to make up the losses before being allocated to the statutory reserve in accordance with the preceding provision.

Subject to a resolution passed at a shareholders' meeting, after allocation has been made to the Company's statutory reserve fund from its after-tax profits, the Company may set aside funds for the discretionary reserve fund from its after-tax profits. Except for those not distributed in proportion as prescribed in the Articles of Association, the remaining after-tax profit, after recovery of losses and appropriation of reserve funds, shall be distributed to Shareholders in proportion to their shareholdings. If the Company distributes profits to shareholders in violation of the provisions of the Articles of Association, Shareholders must refund to the Company the profits distributed in violation of the provisions; if losses are caused to the Company, the shareholders and the responsible Directors, Supervisors and senior management shall be liable for compensation. No profit shall be distributed in respect of the shares of the Company which are held by the Company.

The reserve fund of the Company shall be used for making up for the loss, expansion of the operation or increase of capital of the Company. Where the Company's statutory reserve fund and discretionary reserve fund are not enough to make up losses of the Company, the capital reserve fund shall only be applied. When the statutory reserve fund is capitalized, the retained portion of the fund shall not be less than 25% of the registered capital of the Company before the capitalization.

The Company's profit distribution policy maintains continuity and stability, while taking into account the long-term interests of the Company, the overall interests of all shareholders and the sustainable development of the Company. The Company may distribute profits in the form of cash, shares or a combination of both, or in any other manner permitted by laws and regulations. The Company shall prioritize the use of cash dividends for profit distribution if meeting the preconditions of the cash dividend.

Internal audit

The Company implements an internal audit system which is equipped with dedicated audit personnel to conduct internal audits for supervision of financial income and expenditure and economic activities of the Company.

The internal audit system of the Company and the duties of audit personnel shall be implemented upon approval by the Board of Directors. The head of audit shall be accountable and report to the Board of Directors.

Appointment of an Accounting Firm

The Company shall appoint such accounting firm which has complied with the PRC Securities Law, and the laws, regulations and securities regulatory rules of the place where the shares of the Company are listed for carrying out the audit for the accounting statements, net asset verification, and other relevant consultancy services. The term of appointment shall be 1 year and can be re-appointed.

The appointment of accounting firm by the Company shall be subject to the approval of shareholders' meetings. The Board shall not appoint accounting firm before the approval of the shareholders' meeting.

The Company guarantees that it shall provide the appointed accounting firm with true and complete accounting proofs, accounting books, financial and accounting reports and other accounting information, and that it engages without any refusal, withholding, and misrepresentation.

The auditing fee of the accounting firm or the method of determining audit fee shall be determined by the shareholders' meeting.

In the event of termination of the appointment or non-renewal of appointment of an accounting firm, the Company shall notify the accounting firm 30 days in advance; when the shareholders' meeting votes on termination of appointment of an accounting firm, the accounting firm shall be allowed to make its representation. An accounting firm proposing to resign shall state its opinions in the shareholders' meeting whether the Company has committed any improper act.

MERGER, DIVISION, CAPITAL INCREASE, CAPITAL REDUCTION, DISSOLUTION AND LIQUIDATION

Merger, Division, Capital Increase and Capital Reduction

Merger of the Company may take the form of absorption or establishment of a new company. In case of merger by absorption, a company absorbs any other company and the absorbed company is dissolved. In case of merger by new establishment, two or more companies merge into a new one and the parties to the merger are dissolved.

If the Company is involved in a merger, the parties to the merger shall enter into a merger agreement, and shall prepare a balance sheet and a property list. The Company shall notify its creditors within 10 days as of the date of the resolution for the merger and shall publish an announcement on the Shanghai Securities News (《上海證券報》) or the National Enterprise Credit Information Publicity System (國家企業信用信息公示系統) and the website of the Hong Kong Stock Exchange (**www.hkexnews.hk**) within 30 days as of the date of such resolution. A creditor may within 30 days as of the receipt of the notice or, in case where he/she fails to receive such notice within 45 days of the date of the announcement, to demand the Company to repay its debts or provide guarantees for such debts. Where the securities regulatory rules at the place where the shares of the Company are listed have separate provisions, such provisions shall also be complied with simultaneously.

When the Company is merged, the claims and debts of each party to the merger shall be succeeded to by the company surviving the merger or the new company established subsequent to the merger.

Where there is a division of the Company, its assets shall be divided accordingly. Where there is a division of the Company, a balance sheet and property list shall be prepared. The Company shall notify its creditors within 10 days as of the date of the resolution for the division and shall publish an announcement on the Shanghai Securities News (《上海證券報》) or the National Enterprise Credit Information Publicity System (國家企業信用信息公示系統) and the website of the Hong Kong Stock Exchange (**www.hkexnews.hk**) within 30 days as of the date of such resolution. Where the securities regulatory rules at the place where the shares of the Company are listed have separate provisions, such provisions shall also be complied with simultaneously. Unless a written agreement has been entered into, before the division, by the Company and its creditors in relation to the repayment of debts, debts of the Company prior to the division shall be jointly assumed by the surviving companies after the division.

Where the Company needs to reduce its registered capital, it shall prepare a balance sheet and property list. The Company shall notify its creditors within 10 days as of the date of the resolution for the reduction of its registered capital and shall publish an announcement on the Shanghai Securities News (《上海證券報》) or the National Enterprise Credit Information Publicity System (國家企業信用信息公示系統) and the website of the Hong Kong Stock Exchange (**www.hkexnews.hk**) within 30 days as of the date of such resolution. A creditor may within 30 days as of the receipt of the notice or, in case where he/she fails to receive such notice within 45 days of the date of the announcement, to demand the Company to repay its debts or provide guarantees for such debts. Where the securities regulatory rules at the place where the shares of the Company are listed have separate provisions, such provisions shall also be complied with simultaneously.

The registered capital of the Company after the reduction shall not be less than the statutory minimum amount. If the Company reduces its registered capital, it shall reduce the amount of capital contribution or shares in accordance with the proportion of capital contributed or shares held by shareholders, unless otherwise provided by law or otherwise provided in the Articles of Association.

In the event of a merger or division of a company, if there is a change in the registration items, the Company shall go through the change registration with the company registration authority in accordance with the law; If the Company is dissolved, it shall go through the deregistration of the procedures company in accordance with the law; If a new company is established, the company establishment registration shall be completed in accordance with the law. If the Company increases or decreases its registered capital, it shall go through the change registration with the company registration authority in accordance with the law.

DISSOLUTION AND LIQUIDATION

The Company shall be dissolved upon the occurrence of the following events:

(i) expiry of the term of business provided in the Articles of Association or other cause of dissolution as specified therein;

(ii) a resolution on dissolution is passed by a shareholders' meeting;

(iii) dissolution is required due to the merger or division of the Company;

(iv) the business license of the Company is revoked or the Company is ordered to close down or dissolved in accordance with the laws;

(v) the Company suffers significant hardships in operation and management, and its continued existence would cause significant losses to Shareholders' interests, and such issues cannot be resolved through other means, Shareholders representing 10% or above of the total voting rights of the Company may plead the court of the PRC to dissolve the Company.

In the event that the Company has the dissolution causes as prescribed in the preceding paragraph, it is obligated to disclose the causes of dissolution through the National Enterprise Credit Information Publicity System (國家企業信用信息公示系統) within 10 days.

If the Company is in the situation as described in Item (i) of Article 182 of the Articles of Association and has not yet distributed its properties to shareholders, it can continue to exist by amending the Articles of Association or through a resolution of the shareholders' meeting. The amendment of the Articles of Association or the resolution of the shareholders' meeting as per the preceding paragraph must be passed by more than two-thirds of the voting rights held by the shareholders attending the shareholders' meeting.

Where the Company is dissolved pursuant to the provisions of the Articles of Association, it shall be liquidated. The Directors are the liquidation obligators of the Company and shall establish a liquidation committee within 15 days as of the dissolution circumstance arises, and the liquidation shall be thereby started. The liquidation committee shall be composed of directors, unless otherwise stipulated in the Articles of Association or otherwise elected by the resolution of the shareholders' meeting. If a liquidation obligor fails to fulfill its liquidation obligations in a timely manner and causes losses to the Company or its creditors, it shall be liable for compensation.

The liquidation committee shall notify the creditors within 10 days since its establishment and make public announcement on the Shanghai Securities News (《上海證券報》) or the National Enterprise Credit Information Publicity System (國家企業信用信息公示系統) and the website of the Hong Kong Stock Exchange (**www.hkexnews.hk**) within 60 days. Creditors shall, within 30 days as of the receipt of the notice or, in case where he/she fails to receive such notice, within 45 days as of the date of the announcement, declare their claims to the liquidation committee. Where the securities regulatory rules at the place where the shares of the Company are listed have separate provisions, such provisions shall also be complied with simultaneously.

Creditors shall provide explanations and evidence for their claims upon their declarations of such claims. The liquidation committee shall record the creditors' claims.

The liquidation committee shall not pay off any debts to any creditors during period of claim declaration.

After clearing the assets of the Company and preparing a balance sheet and property list, the liquidation committee shall formulate a liquidation plan for the confirmation of the shareholders' meeting or the court of the PRC. The remaining assets of the Company, after the payment for liquidation expenses, wages, social insurance premiums and statutory compensation of staffs and paying the taxes owed, settling the Company's debts, shall be distributed by the Company in proportion to their shareholdings. During the liquidation period, the Company shall continue to exist but shall not carry out any business activities unrelated to liquidation. The properties of the Company shall not be distributed to the shareholders until the settlement of debts in accordance with the preceding provisions.

If the liquidation committee, after clearing the assets of the Company and preparing a balance sheet and property list, finds that the assets of the Company are insufficient to pay off its debts, it shall immediately file an application to the court of the PRC for bankruptcy. After the court of the PRC accepts the bankruptcy application, the liquidation committee shall hand over the liquidation matters to the bankruptcy administrator designated by court of the PRC.

Upon completion of liquidation of the Company, the liquidation committee shall prepare a liquidation report and submit the report to the shareholders' meeting or the court of the PRC for confirmation, and submit the report to the company registration authority to apply for de-registration of the Company and announce the termination of the Company.

Where the Company is declared bankruptcy in accordance with law, it shall implement bankruptcy liquidation in accordance with the relevant laws relating to bankruptcy of enterprise.

Amendments to the Articles of Association

The Company shall amend the Articles of Association in any of the following circumstances:

(i) after amendments are made to the PRC Company Law or other relevant laws, administrative regulations and regulatory rules at the place where the shares of the Company are listed, the matters stipulated in the Articles of Association are in conflict with the provisions of the revised laws, administrative regulations and regulatory rules at the place where the shares of the Company are listed;

(ii) if certain changes of the Company occur resulting in the inconsistency with certain terms specified in the Articles of Association;

(iii) the shareholders' meeting has resolved to amend the Articles of Association.

Where the amendments to the Articles of Association passed by resolutions of the shareholders' meetings require approval of the competent authorities, the amendments shall be submitted to the relevant authorities for approval. Where the amendments involve registration matters of the Company, the involved changes shall be registered in accordance with the laws.

The Board shall amend the Articles of Association in accordance with the resolution of the shareholders' meetings on amendment to the Articles of Association and the examination and approval opinions from relevant authorities.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of Our Company

Our Company was established as a joint stock limited company in the PRC on April 28, 1997, and completed the initial public offering and the listing of our A Shares on the Shanghai Stock Exchange (stock code: 600276) in October 2000. For further details on our incorporation and our listing of A Shares, see "History and Corporate Structure—Major Shareholding Changes of our Company" in this document.

Our registered office is located at 38 Huanghe Road, Economic and Technological Development Zone, Lianyungang City, Jiangsu Province, PRC. We have established a place of business in Hong Kong at Room 1920, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong, and [were] registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on [●] under the same address. Ms. Leung Wing Han Sharon has been appointed as our authorized representative for the acceptance of service of process and notices on our behalf in Hong Kong.

As we are established in the PRC, our corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. A summary of the relevant aspects of laws and regulations of the PRC and the Articles of Association is set out in Appendix IV and Appendix V to this document, respectively.

2. Changes in our share capital

The following sets out the changes in our Company's share capital within the two years immediately preceding the issue of this document:

- A repurchase mandate for the repurchase of A Shares for the purpose of our Company's employee stock ownership schemes was approved by the sixteenth meeting of the eighth session of the Board on March 13, 2022. The repurchase mandate was valid for 12 months from the date of approval of the repurchase mandate by the Board. As of March 12, 2023, the repurchase of A Shares was completed under the repurchase mandate, with a total of 16,794,288 A Shares repurchased pursuant to transactions conducted between April 25, 2022 and March 12, 2023, at an average price of RMB35.76 per A Share. Upon repurchase, the repurchased A Shares were held under our Company stock repurchase account, and do not carry any shareholders' rights, including but not limited to voting rights at the Shareholders' meetings and dividend rights. Any repurchased A Shares not granted or transferred within 36 months after the completion of the repurchase shall be canceled.

- On November 7, 2022, a total of 12,000,000 A Shares held under our Company stock repurchase account was transferred to the 2022 Employee Stock Ownership Scheme stock account at a price of RMB4.97 per A Share pursuant to the terms of the 2022 Employee Stock Ownership Scheme.

- A repurchase mandate for the repurchase of A Shares for the purpose of our Company's employee stock ownership schemes was approved by the third meeting of the ninth session of the Board on May 15, 2023. The repurchase mandate was valid for 12 months from the date of approval of the repurchase mandate by the Board. As of May 14, 2024, the repurchase of A Shares was completed under the repurchase mandate, with a total of 14,351,878 A Shares repurchased pursuant to transactions conducted between June 12, 2023 and May 14, 2024, at an average price of RMB44.22 per A Share. Upon repurchase, the repurchased A Shares were held under our Company stock repurchase account, and do not carry any shareholders' rights, including but not limited to voting rights at the Shareholders' meetings and dividend rights. Any repurchased A Shares not granted or transferred within 36 months after the completion of the repurchase shall be canceled.

- On December 26, 2023, a total of 11,500,000 A Shares held under our Company stock repurchase account was transferred to the 2023 Employee Stock Ownership Scheme stock account, at a price of RMB23.85 per A Share pursuant to the terms of the 2023 Employee Stock Ownership Scheme.

- A repurchase mandate for the repurchase of A Shares for the purpose of our Company's employee stock ownership was approved by the eighth meeting of the ninth session of the Board on May 15, 2024. The repurchase mandate is valid for 12 months from the date of approval of the repurchase mandate by the Board. Pursuant to transactions conducted between June 20, 2024 and up until the Latest Practicable Date, a total of 5,181,144 A Shares have been repurchased, at an average price of RMB42.15 per A Share. Upon repurchase, the repurchased A Shares were held under our Company stock repurchase account, and do not carry any shareholders' rights, including but not limited to voting rights at the Shareholders' meetings and dividend rights.

- On December 27, 2024, a total of 12,200,000 A Shares held under our Company stock repurchase account was transferred to our Company 2024 Employee Stock Ownership Scheme stock account at a price of RMB21.20 per A Share pursuant to the terms of the 2024 Employee Stock Ownership Scheme.

Save as disclosed above, 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 our subsidiaries

The following sets out the changes in the share capital of our subsidiaries during the two years immediately preceding the date of this document:

- On September 4, 2024, the share capital of Hengrui SG Pte. Ltd. was increased from nil to SGD1,000,000.

- On December 25, 2024, the registered capital of Chengdu Xinyue Pharmaceutical Co., Ltd. (成都新越醫藥有限公司) was increased from RMB10,000,000 to RMB35,000,000.

Save as disclosed above, there has been no alteration in the share capital of our subsidiaries within the two years immediately preceding the date of this document.

4. Resolutions of our Shareholders

Pursuant to the shareholders' meeting held on December 26, 2024, the following resolutions, among other things, were duly passed:

(a) the issue by our Company of H Shares of nominal value of RMB1.00 each and such H Shares be [**REDACTED**] on the Hong Kong Stock Exchange;

(b) the number of H Shares to be issued shall not exceed [**REDACTED**]% of the total issued share capital of our Company as enlarged by the [**REDACTED**] (before the exercise of the [**REDACTED**]), and the grant of the [**REDACTED**] of not more than [**REDACTED**]% of the total number of H Shares to be [**REDACTED**] initially under the [**REDACTED**];

(c) subject to the completion of the [**REDACTED**], the adoption of the Articles of Association which shall become effective on the [**REDACTED**]; and

(d) authorization of the Board and/or its authorized persons to handle relevant matters relating to the [**REDACTED**], including but not limited to the [**REDACTED**] and the [**REDACTED**] of the H Shares.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this document that are or may be material:

(a) the [**REDACTED**].

2. Intellectual Property Rights of our Group

As of the Latest Practicable Date, the following intellectual property rights are, in the opinion of our Directors, material to our Group's business.

(a) Trademarks

As of the Latest Practicable Date, our Group had registered the following trademarks which are material to our business:

No.	Trademark	Registered Owner	Place of Registration	Class
1 . . .		the Company	China, European Union, Japan	5
2 . . .		the Company	China	5, 10, 35, 42, 44
3 . . .		the Company	China, United States, Japan, Australia, Switzerland	5, 42, 44
4 . . .		the Company	China	5
5 . . .		the Company	China, Australia, European Union, United Kingdom, Israel, India, Japan, South Korea, Singapore, Russia	5
6 . . .	恒瑞	the Company	China	5, 35
7 . . .	恒瑞医药	the Company	China	5, 35
8 . . .	Hengrui Pharma	the Company	China	5
9 . . .	盛迪医药	the Company	China	35, 42
10 . . .		the Company	China	5

No.	Trademark	Registered Owner	Place of Registration	Class
11. . .	SUNCADIA	the Company	China	5
12. . .	盛迪亚生物 SUNCADIA	the Company	China	5
13. . .		the Company	China	5
14. . .		the Company	China	5
15. . .	HR 恒瑞医疗 HENGRUI MEDICAL	the Company	China	5
16. . .	艾瑞卡	the Company, Suzhou Suncadia Biopharmaceuticals Co., Ltd. (蘇州盛迪亞生物醫藥有限公司)	China	5
17. . .	KAMRUKA	the Company	China, United Kingdom, Germany	5
18. . .	艾瑞颐	the Company	China	5
19. . .	艾瑞妮	the Company	China	5
20. . .	艾瑞康	the Company	China	5
21. . .	艾坦	the Company	China, Australia, European Union, United Kingdom, Israel, India, Japan, South Korea, Singapore, Russia	5
22. . .	艾瑞利	the Company	China	5
23. . .	艾瑞恩	the Company	China	5
24. . .	艾多	the Company	China	5
25. . .	艾瑞吉	the Company	China	5
26. . .	越优力	the Company	China	5
27. . .	艾越	the Company	China	5
28. . .	芙瑞	the Company	China	5
29. . .	艾恒	the Company	China	5
30. . .	艾滨	the Company	China	5
31. . .	匹服平	the Company	China	5
32. . .	艾瑞妥	the Company	China	5
33. . .	艾阳	the Company	China	5
34. . .	瑞倍宁	the Company	China	5
35. . .	艾倍美	the Company	China	5
36. . .	艾贝宁	the Company	China	5
37. . .	诺扬	the Company	China	5
38. . .	艾顺	the Company	China	5
39. . .	凯特力	the Company	China	5
40. . .	凯立宁	the Company	China	5
41. . .	艾司	the Company	China	5
42. . .	艾苏特	the Company	China	5
43. . .	优力影	the Company	China	5

No.	Trademark	Registered Owner	Place of Registration	Class
44. . .	艾迪显	the Company	China	5
45. . .	佳迪显	the Company	China	5
46. . .	艾苏显	the Company	China	5
47. . .	瑞必康	the Company	China	5
48. . .	恒扬	the Company	China	5
49. . .	瑞沁	the Company	China	5
50. . .	瑞泽唐	the Company	China	5
51. . .	瑞沁达	the Company	China	5
52. . .	瑞扬	the Company	China	5
53. . .	吉加	the Company	China	5
54. . .	瑞心安	the Company	China	5
55. . .	乐加	the Company	China	5
56. . .	恒曲	the Company	China	5
57. . .	安达静	the Company	China	5
58. . .	艾其速	the Company	China	5
59. . .	吉畅	the Company	China	5
60. . .	艾喆利	the Company	China	5
61. . .	艾瑞扬	the Company	China	5
62. . .	HRMAP	the Company	China	5
63. . .	HengRAc	the Company	China	5

As of the Latest Practicable Date, our Group had applied for registration of the following trademarks which are material to our business.

No.	Trademark	Applicant	Place of Registration	Class	Application Number	Application Date
1 . . .	恒舒乐	the Company	China	5	81764837	11/5/2024
2 . . .	艾卓瑞	the Company	China	5	82220433	11/27/2024
3 . . .	KAMRUKA	the Company	United States, France, Italy, Japan, Spain, Mexico, Canada, Brazil, India	5	1794474	3/4/2024
4 . . .	HART-IgG	the Company	China	5	82713204	12/23/2024
5 . . .	HART-IgG	the Company	China	42	82704245	12/23/2024
6 . . .	HABHLE	the Company	China	42	81466811	10/18/2024
7 . . .	HABHLE	the Company	China	5	81466622	10/18/2024

No.	Trademark	Applicant	Place of Registration	Class	Application Number	Application Date
8 . . .		the Company	Hong Kong, China	5, 16, 35, 41, 42	306761601	12/19/2024

(b) Patents

As of the Latest Practicable Date, our Group had registered the following patents which are material to our business:

No.	Patent	Patent Owner	Type of Patent	Place of Registration
1	G-CSF conjugate modified by water-soluble polymer (水溶性聚合物修飾的G-CSF偶聯物)	the Company, Shanghai Hengrui Pharmaceuticals Co., Ltd. (上海恒瑞醫藥有限公司) ("**Shanghai Hengrui Pharmaceuticals**")	Invention Patent	China
2	Pyrrolo-hexacyclic compound inhibitors and their use in medicine (吡咯並六元雜環化合物抑制劑及其在醫藥上的用途)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	China
3	Bicyclic substituted pyrazolone azo derivatives, their preparation methods and their use in medicine (雙環取代吡唑酮偶氮類衍生物、其製備方法及其在醫藥上的應用)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	China, United States, Europe, Japan, South Korea, Russia, Ukraine, Mexico, South Africa, Australia, Canada, Vietnam, India, Brazil
4	Type I crystal form of N-n-propyl-3-(4-methylphenyl)-4-(4-methylsulfonylphenyl)-2,5-dihydropyrrol-2-one and its preparation method (N-正丙基-3-(4-甲基苯基)-4-(4-甲磺酰基苯基)-2,5-二氫吡咯-2-酮的I型結晶及其製造方法)	the Company	Invention Patent	China
5	Tetrahydroimidazo[1,5-a]pyrazine derivatives, their preparation methods and their use in medicine (四氫咪唑並[1,5-a]吡嗪類衍生物, 其製備方法及其在醫藥上的應用)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	China
6	Pharmaceutical composition for treating proliferative diseases (用於治療增生性疾病的藥物組合物)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	China

No.	Patent	Patent Owner	Type of Patent	Place of Registration
7	Salts of bicyclic substituted pyrazolone azo derivatives, preparation methods and applications thereof (雙環取代吡唑酮偶氮類衍生物的鹽,及其製備方法和應用)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	China
8	Salts of N-[4-(1-cyanocyclopentyl) phenyl]-2-(4-pyridylmethyl)amino-3-pyridinecarboxamide (N-[4-(1-氰基環戊基)苯基]-2-(4-吡啶甲基)氨基-3-吡啶甲酰胺的鹽)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	China
9	Method for preparing imrecoxib (製備艾瑞昔布的方法)	the Company	Invention Patent	China
10 . . .	Salts of (R)-7-[3-amino-4-(2,4,5-trifluoro-phenyl)-butyryl]-3-trifluoromethyl-5,6,7,8-tetrahydro-imidazo[1,5-a]pyrazine-1-carboxylic acid methyl ester ((R)-7-[3-氨基-4-(2,4,5-三氟-苯基)-丁酰]-3-三氟甲基-5,6,7,8-四氢-咪唑並[1,5-a]吡嗪-1-羧酸甲酯的鹽)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	China
11 . . .	C-aryl glucoside derivatives, preparation methods thereof and their applications in medicine (C-芳基葡萄糖苷衍生物、其製備方法及其在醫藥上的應用)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	China
12 . . .	6-aminoquinazoline or 3-cyanoquinoline derivatives, preparation methods thereof and their applications in medicine (6-氨基喹唑啉或3-氰基喹啉類衍生物、其製備方法及其在醫藥上的應用)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	China, United States, Europe, Japan, South Korea, Canada, Australia, Russia, Mexico, South Africa, India
13 . . .	Toxilic acid salts of benzodiazepine derivatives and their polymorphs, their preparation methods and uses (苯並二氮雜䓬衍生物的托西酸鹽及其多晶型、它們的製備方法和用途)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	China
14 . . .	Type I crystal form of dimaleate of a tyrosine kinase inhibitor and its preparation method (一種酪氨酸激酶抑制劑的二馬來酸鹽的I型結晶及製備方法)	the Company	Invention Patent	China, South Korea, Russia, Brazil
15 . . .	Pyrrolo-hexacyclic heteroaromatic ring derivatives, their preparation methods and their applications in medicine (吡咯並六元雜芳環類衍生物、其製備方法及其在醫藥上的應用)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	China, United States, Japan, Russia, Australia, Europe, Mexico, Brazil, South Korea, Canada
16 . . .	Imidazolinyl derivatives, preparation methods and their applications in medicine (咪唑啉類衍生物、其製備方法及其在醫藥上的應用)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	China, United States, Europe, Japan, Australia, Russia, Mexico, Brazil, South Korea, Canada

No.	Patent	Patent Owner	Type of Patent	Place of Registration
17 . . .	Cycloalkylcarboxylic acid derivatives, preparation methods and their applications in medicine (環烷基甲酸類衍生物、其製備方法及其在醫藥上的應用)	the Company, Shanghai Hengrui Pharmaceuticals, Fujian Shengdi Pharmaceutical Co., Ltd. (福建盛迪醫藥有限公司) ("**Fujian Shengdi Pharmaceutical**")	Invention Patent	China
18 . . .	Pyrazolopyrimidone or pyrrolotriazineone derivatives, preparation methods and their applications in medicine (吡唑並嘧啶酮類或吡咯並三嗪酮類衍生物、其製備方法及其在醫藥上的應用)	the Company, Shanghai Hengrui Pharmaceuticals, Chengdu Suncadia Medicine Co., Ltd. (成都盛迪醫藥有限公司) ("**Chengdu Suncadia Medicine**")	Invention Patent	China
19 . . .	Pyridopyrimidine derivatives, preparation methods and their applications in medicine (吡啶並嘧啶類衍生物、其製備方法及其在醫藥上的應用)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	China
20 . . .	A preparation method of apatinib (一種阿帕替尼的製備方法)	the Company	Invention Patent	China
21 . . .	An intermediate of a DPP-IV inhibitor, a preparation method thereof, and a method for preparing a DPP-IV inhibitor by using the intermediate (一種DPP-IV抑制劑的中間體、其製備方法和通過其製備DPP-IV抑制劑的方法)	the Company, Shanghai Senhui Pharmaceutical Co., Ltd. (上海森輝醫藥有限公司) ("**Shanghai Senhui Pharmaceutical**")	Invention Patent	China
22 . . .	PD-1 antibody, an antigen-binding fragment thereof, and medical use thereof (PD-1抗體、其抗原結合片段及其醫藥用途)	the Company, Suzhou Suncadia Biopharmaceuticals Co., Ltd. (蘇州盛迪亞生物醫藥有限公司) ("**Suzhou Suncadia Biopharmaceuticals**"), Shanghai Hengrui Pharmaceuticals	Invention Patent	China, United States
23 . . .	IL-17A conjugate and its use (IL-17A結合物及其用途)	the Company, Suzhou Suncadia Biopharmaceuticals, Shanghai Hengrui Pharmaceuticals	Invention Patent	China
24 . . .	A pharmaceutical composition containing a quinoline derivative or a salt thereof (一種含有喹啉衍生物或其鹽的藥物組合物)	the Company	Invention Patent	China, United States, Japan, Canada, Russia, Mexico, Australia, South Korea
25 . . .	A crystal form of a cyclin-dependent protein kinase inhibitor and a preparation method thereof (一種周期素依賴性蛋白激酶抑制劑的結晶形式及其製備方法)	the Company	Invention Patent	China
26 . . .	Interleukin-15 protein complex and its use (白細胞介素15蛋白複合物及其用途)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	China, United States, Europe, Japan, South Korea, Brazil, Canada, Russia, Australia

No.	Patent	Patent Owner	Type of Patent	Place of Registration
27 . . .	L-proline complex of a sodium-glucose cotransporter 2 inhibitor, its monohydrate and crystals (一種鈉-葡萄糖協同轉運蛋白2抑制劑的L-脯氨酸複合物、其一水合物及晶體)	the Company, Chengdu Xinyue Pharmaceutical Co., Ltd. (成都新越醫藥有限公司) ("**Chengdu Xinyue Pharmaceutical**")	Invention Patent	China
28 . . .	Anti-c-Met antibody and anti-c-Met antibody-cytotoxic drug conjugate and its medical use (抗c-Met抗體和抗c-Met抗體-細胞毒性藥物偶聯物及其醫藥用途)	the Company, Suzhou Suncadia Biopharmaceuticals, Shanghai Hengrui Pharmaceuticals	Invention Patent	China, United States
29 . . .	An intermediate of a DPP-IV inhibitor, a preparation method thereof, and a method for preparing a DPP-IV inhibitor by using the intermediate (一種DPP-IV抑制劑的中間體、其製備方法和通過其製備DPP-IV抑制劑的方法)	the Company	Invention Patent	China
30 . . .	Oxaspiro derivatives, preparation methods and medical applications thereof (氧雜螺環類衍生物、其製備方法及其在醫藥上的應用)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	China, United States, Europe, Russia, Australia, Japan, South Korea, Brazil, Mexico, Canada
31 . . .	Use of a combination of an anti-PD-1 antibody and a VEGFR inhibitor in the preparation of a drug for treating cancer (一種抗PD-1抗體和VEGFR抑制劑聯合在製備治療癌症的藥物中的用途)	the Company, Suzhou Suncadia Biopharmaceuticals, Shanghai Hengrui Pharmaceuticals	Invention Patent	China, United States
32 . . .	PD-L1 antibody, antigen-binding fragment thereof and medical application thereof (PD-L1抗體、其抗原結合片段及其醫藥用途)	the Company, Shanghai Shengdi Pharmaceutical Co., Ltd. (上海盛迪醫藥有限公司) ("**Shanghai Shengdi Pharmaceutical**"), Suzhou Suncadia Biopharmaceuticals, Shanghai Hengrui Pharmaceuticals	Invention Patent	China
33 . . .	A preparation method of recombinant human granulocyte colony stimulating factor (一種重組人粒細胞集落刺激因子的製備方法)	the Company	Invention Patent	China
34 . . .	A purification method of PEGylated recombinant human granulocyte colony stimulating factor (一種聚乙二醇化重組人粒細胞刺激因子的純化方法)	the Company	Invention Patent	China
35 . . .	A preparation method of a pyridopyrimidine derivative and its intermediates (一種吡啶並嘧啶類衍生物的製備方法及其中間體)	the Company, Shanghai Shengdi Pharmaceutical	Invention Patent	China
36 . . .	Benzofuran derivatives, preparation methods and medical applications thereof (苯並呋喃類衍生物、其製備方法及其在醫藥上的應用)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	China, United States, Europe, Japan, Brazil, Mexico, Canada, Russia, Australia

No.	Patent	Patent Owner	Type of Patent	Place of Registration
37 . . .	A composition of anti-IL-17A antibodies (一種抗IL-17A抗體的組合物)	the Company, Suzhou Suncadia Biopharmaceuticals, Shanghai Hengrui Pharmaceuticals	Invention Patent	China
38 . . .	A purification method of recombinant human granulocyte colony stimulating factor (一種重組人粒細胞集落刺激因子的純化方法)	the Company	Invention Patent	China
39 . . .	A pharmaceutical composition of remimazolam (一種瑞馬唑侖的藥物組合物)	the Company, Fujian Shengdi Pharmaceutical	Invention Patent	China
40 . . .	Use of tyrosine kinase inhibitors in the preparation of drugs for treating cancer (酪氨酸激酶抑制劑在製備治療癌症藥物中的用途)	the Company	Invention Patent	China
41 . . .	A pharmaceutical composition containing a sodium-glucose cotransporter 2 inhibitor (一種含有鈉-葡萄糖協同轉運蛋白2抑制劑的藥物組合物)	the Company	Invention Patent	China
42 . . .	A pharmaceutical composition containing a JAK kinase inhibitor or a pharmaceutically acceptable salt thereof (一種含有JAK激酶抑制劑或其可藥用鹽的藥物組合物)	the Company	Invention Patent	China
43 . . .	A method for preparing a benzodiazepine derivative (一種苯並二氮雜䓬衍生物的製備方法)	the Company, Fujian Shengdi Pharmaceutical	Invention Patent	China
44 . . .	A crystal form of an ethanolamine salt of a thrombopoietin mimetic and a preparation method thereof (一種血小板生成素模擬物的乙醇胺鹽的結晶形式及製備方法)	the Company	Invention Patent	China
45 . . .	A crystal form of a COX-2 selective inhibitor and a preparation method thereof (一種COX-2選擇性抑制劑的晶型及其製備方法)	the Company	Invention Patent	China
46 . . .	A pharmaceutical composition containing a bicyclic substituted pyrazolone azo derivative or a salt thereof and a preparation method thereof (一種含有雙環取代吡唑酮偶氮類衍生物或其鹽的藥物組合物及其製備方法)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	China
47 . . .	PCSK9 antibody, its antigen-binding fragment and its medical use (PCSK9抗體、其抗原結合片段及其醫藥用途)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	China
48 . . .	A preparation method of sodium-glucose co-transporter 2 inhibitor (一種鈉-葡萄糖協同轉運蛋白2抑制劑的製備方法)	the Company, Chengdu Xinyue Pharmaceutical	Invention Patent	China
49 . . .	A preparation method of imrecoxib and its intermediates (一種艾瑞昔布及其中間體的製備方法)	the Company	Invention Patent	China

No.	Patent	Patent Owner	Type of Patent	Place of Registration
50 . . .	PCSK9 antibody, antigen-binding fragment thereof and medical use thereof (PCSK9抗體、其抗原結合片段及其醫藥用途)	the Company, Guangdong Hengrui Pharmaceutical Co., Ltd. (廣東恒瑞醫藥有限公司) ("**Guangdong Hengrui Pharmaceutical**"), Suzhou Suncadia Biopharmaceuticals, Shanghai Hengrui Pharmaceuticals	Invention Patent	China
51 . . .	An anti-PD-1 antibody preparation and its medical application (一種抗PD-1抗體制劑及其在醫藥上的應用)	the Company, Suzhou Suncadia Biopharmaceuticals, Shanghai Hengrui Pharmaceuticals	Invention Patent	China, United States
52 . . .	A pharmaceutical composition containing imidazoline derivatives (一種含有咪唑啉類衍生物的藥物組合物)	the Company	Invention Patent	China, Russia
53 . . .	A crystal form of an androgen receptor inhibitor and its preparation method (一種雄性激素受體抑制劑的晶型及其製備方法)	the Company	Invention Patent	China
54 . . .	A pharmaceutical composition containing a bicyclic substituted pyrazolone azo derivative or its salt and its preparation method (一種含有雙環取代吡唑酮偶氮類衍生物或其鹽的藥物組合物及其製備方法)	the Company	Invention Patent	China
55 . . .	A imrecoxib tablet and its preparation method (一種艾瑞昔布片劑及其製備方法)	the Company	Invention Patent	China
56 . . .	A preparation method of a pharmaceutical composition containing a quinoline derivative or its salt (一種含有喹啉衍生物或其鹽的藥物組合物的製備方法)	the Company	Invention Patent	China
57 . . .	A pharmaceutical composition containing a pyridopyrimidine derivative or its pharmaceutically acceptable salt (一種含有吡啶並嘧啶類衍生物或其可藥用鹽的藥物組合物)	the Company	Invention Patent	China
58 . . .	Use of PD-1 antibody and apatinib in combination for the treatment of triple-negative breast cancer (PD-1抗體和阿帕替尼聯合治療三陰性乳腺癌的用途)	the Company, Suzhou Suncadia Biopharmaceuticals	Invention Patent	China
59 . . .	A method for preparing tyrosine kinase inhibitors and their derivatives (一種製備酪氨酸激酶抑制劑及其衍生物的方法)	the Company	Invention Patent	China
60 . . .	An acylated derivative of human insulin or its analogs (一種人胰島素或其類似物的酰化衍生物)	the Company	Invention Patent	China, United States, Japan
61 . . .	Crystal form of indolecarboxamide derivatives and preparation method thereof (吲哚甲酰胺類衍生物的晶型及其製備方法)	the Company, Chengdu Suncadia Medicine, Shanghai Hengrui Pharmaceuticals	Invention Patent	China

No.	Patent	Patent Owner	Type of Patent	Place of Registration
62 . . .	A pharmaceutical composition containing quinoline derivatives (一種含有喹啉衍生物的藥物組合物)	the Company	Invention Patent	China
63 . . .	Use of PARP inhibitors for the treatment of chemotherapy-resistant ovarian cancer or breast cancer (PARP抑制劑用於治療化療耐藥的卵巢癌或乳腺癌的用途)	the Company	Invention Patent	China
64 . . .	Fusion protein containing TGF-β receptor and its medical use (含有TGF-β受體的融合蛋白及其醫藥用途)	the Company, Suzhou Suncadia Biopharmaceuticals, Shanghai Hengrui Pharmaceuticals	Invention Patent	China
65 . . .	Use of an anti-PD-1 antibody in the preparation of a drug for the treatment of esophageal cancer (一種抗PD-1抗體在製備治療食管癌的藥物中的用途)	the Company, Suzhou Suncadia Biopharmaceuticals	Invention Patent	China
66 . . .	Use of anti-PD-1 antibody, pemetrexed and platinum drugs in combination for the treatment of non-small cell lung cancer (抗PD-1抗體、培美曲塞和鉑類藥物聯合治療非小細胞肺癌的用途)	the Company, Suzhou Suncadia Biopharmaceuticals	Invention Patent	China
67 . . .	PD-L1 antibody, antigen-binding fragment thereof and medical use thereof (PD-L1抗體、其抗原結合片段及其醫藥用途)	the Company, Suzhou Suncadia Biopharmaceuticals, Shanghai Hengrui Pharmaceuticals	Invention Patent	China
68 . . .	A pharmaceutical composition comprising PARP inhibitor (一種包含PARP抑制劑的藥物組合物)	the Company	Invention Patent	China, Japan, Russia, Ukraine, Mexico, Vietnam
69 . . .	A preparation method of PARP inhibitor and its intermediates (一種PARP抑制劑及其中間體的製備方法)	the Company	Invention Patent	China
70 . . .	Anti-Abeta antibody, antigen-binding fragment thereof and use thereof (抗Abeta抗體、其抗原結合片段及應用)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	China, Japan, Russia, Malaysia, Vietnam
71 . . .	A preparation method of tyrosine kinase inhibitor and its intermediates (一種酪氨酸激酶抑制劑及其中間體的製備方法)	the Company	Invention Patent	China
72 . . .	CD3 antibody and its medical use (CD3抗體及其藥物用途)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	China, Japan, South Africa, Russia, United States, Vietnam
73 . . .	Anti-Claudin 18.2 antibody and its use (抗Claudin18.2抗體及其應用)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	China, South Africa, Russia, Japan, Vietnam, Indonesia
74 . . .	Use of PD-1 antibody in combination with VEGF ligand or VEGF receptor inhibitor in the preparation of drugs for treating tumors (PD-1抗體與VEGF配體或VEGF受體抑制劑聯合在製備治療腫瘤的藥物中的用途)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	China

No.	Patent	Patent Owner	Type of Patent	Place of Registration
75 . . .	Use of PD-1 antibody for treating tumors PD-1 (PD-1抗體用於治療腫瘤的用途)	the Company, Sun Yat-sen University Cancer Center (中山大學附屬腫瘤醫院)	Invention Patent	China
76 . . .	Antibodies binding to human IL-4R, antigen-binding fragments thereof and medical uses thereof (結合人IL-4R的抗體、其抗原結合片段及其醫藥用途)	the Company, Guangdong Hengrui Pharmaceutical, Shanghai Hengrui Pharmaceuticals	Invention Patent	China
77 . . .	Use of PD-1 antibody and VEGFR inhibitor in the combined treatment of small cell lung cancer (PD-1抗體和VEGFR抑制劑聯合治療小細胞肺癌的用途)	the Company, Suzhou Suncadia Biopharmaceuticals	Invention Patent	China
78 . . .	A codon-optimized human insulin analog precursor gene and signal peptide gene (一種密碼子優化的人胰島素類似物前體基因和信號肽基因)	the Company	Invention Patent	China
79 . . .	An antibody capable of binding to thymic stromal lymphopoietin and its application (能結合胸腺基質淋巴細胞生成素的抗體及其應用)	the Company, Guangdong Hengrui Pharmaceutical, Shanghai Hengrui Pharmaceuticals	Invention Patent	China
80 . . .	A PD-L1 antibody pharmaceutical composition and its use (一種PD-L1抗體藥物組合物及其用途)	Shanghai Shengdi Pharmaceutical, Suzhou Suncadia Biopharmaceuticals	Invention Patent	China
81 . . .	A new method for preparing imidazoline derivatives (一種新的咪唑啉類衍生物的製備方法)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	China
82 . . .	A method for preparing 3R-amino-substituted butanamide derivatives (3R-氨基取代丁酰胺衍生物的製備方法)	the Company	Invention Patent	China
83 . . .	A pharmaceutical composition of DPP-4 inhibitors (一種DPP-4抑制劑的藥物組合物)	the Company	Invention Patent	China
84 . . .	Tricyclic tetrahydroisoquinoline derivatives, their preparation methods and their medical applications (三環四氫異喹啉類衍生物、其製備方法及其在醫藥上的應用)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	China, Russia
85 . . .	An oral pharmaceutical composition of apatinib containing a sedimentation inhibitor (一種包含沉降抑制劑的阿帕替尼口服藥物組合物)	the Company	Invention Patent	China
86 . . .	A PCSK-9 antibody pharmaceutical composition and its use (一種PCSK-9抗體藥物組合物及其用途)	the Company, Guangdong Hengrui Pharmaceutical, Suzhou Suncadia Biopharmaceuticals, Shanghai Hengrui Pharmaceuticals	Invention Patent	China
87 . . .	A preparation method of a sodium-glucose cotransporter 2 inhibitor (一種鈉-葡萄糖協同轉運蛋白2抑制劑的製備方法)	the Company, Shanghai Senhui Pharmaceutical, Shanghai Shengdi Pharmaceutical	Invention Patent	China

No.	Patent	Patent Owner	Type of Patent	Place of Registration
88 . . .	Fused pyridine ring derivative, its preparation method and its application in medicine (稠合吡啶環衍生物、其製備方法及其在醫藥上的應用)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	China
89 . . .	A pharmaceutical composition and its preparation method (一種藥物組合物以及其製備方法)	the Company	Invention Patent	China
90 . . .	Neurokinin-1 antagonist (神經激肽-1拮抗劑)	the Company, Fujian Shengdi Pharmaceutical, Shanghai Shengdi Pharmaceutical, Shanghai Senhui Pharmaceutical	Invention Patent	China
91 . . .	Anti-claudin antibody drug conjugate and its medical use (抗密蛋白抗體藥物偶聯物及其醫藥用途)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	China, Russia
92 . . .	Anti-TROP-2 antibody-exatecan analog conjugate and its medical use (抗TROP-2抗體-依喜替康類似物偶聯物及其醫藥用途)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	China, Russia
93 . . .	Drug conjugate of eribulin derivative, preparation method thereof and its application in medicine (艾日布林衍生物的藥物偶聯物、其製備方法及其在醫藥上的應用)	the Company, Shanghai Senhui Pharmaceutical, Shanghai Shengdi Pharmaceutical, Shanghai Hengrui Pharmaceuticals	Invention Patent	China, Russia
94 . . .	Ligand-drug conjugate of isotecan analog, preparation method thereof and its application in medicine (依喜替康類似物的配體-藥物偶聯物其製備方法和應用)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	China, Japan, Russia, India, South Africa
95 . . .	Anti-PSMA antibody-isotecan analog conjugate and its medical use (抗PSMA抗體-依喜替康類似物偶聯物及其醫藥用途)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	China
96 . . .	A preparation method of PARP inhibitor (一種PARP抑制劑的製備方法)	the Company	Invention Patent	China
97 . . .	Novel polypeptide complex (新型多肽複合物)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	China
98 . . .	Triazinedione derivatives, preparation method thereof and its application in medicine (三嗪二酮類衍生物、其製備方法及其在醫藥上的應用)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	China, Eurasia
99 . . .	Nitrogen-bridge containing heterocyclic compounds, preparation method thereof and its application in medicine (含氮橋雜環化合物、其製備方法及其在醫藥上的應用)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	China
100 . . .	Preparation method of tetrahydropyrazine fused ring derivatives (四氫吡嗪稠環衍生物的製備方法)	the Company, Shanghai Senhui Pharmaceutical, Shanghai Shengdi Pharmaceutical	Invention Patent	China
101 . .	Sulfonylurea derivatives and their medical use (磺酰脲類衍生物及其藥物用途)	the Company, Shanghai Senhui Pharmaceutical, Shanghai Shengdi Pharmaceutical	Invention Patent	China

No.	Patent	Patent Owner	Type of Patent	Place of Registration
102 . .	PCSK9 antibody, antigen-binding fragment thereof and its medical use (PCSK9抗體、其抗原結合片段及其醫藥用途)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	United States, Japan, Mexico, Russia, Australia, South Korea
103 . . .	Salts of N-[4-(1-cyanocyclopentyl) phenyl]-2-(4-pyridylmethyl)amino-3-pyridinecarboxamide (N-[4-(1-氰基環戊基)苯基]-2-(4-吡啶甲基)氨基-3-吡啶甲酰胺的鹽)	the Company	Invention Patent	United States, Europe, Japan, Russia, Australia, Mexico, South Africa, Vietnam, Canada, South Korea
104 . . .	Phthaloxizone derivatives, preparation methods and medical applications thereof (酞嗪酮類衍生物、其製備方法及其在醫藥上的應用)	the Company	Invention Patent	United States, Europe, South Korea, Canada Australia, Russia, Japan, Ukraine, India, Brazil
105 . . .	Pharmaceutically acceptable salt of (E)-N-[4-[[3-chloro-4-(2-pyridylmethoxy)phenyl]amino]-3-cyano-7-ethoxy-6-quinolyl]-3-[(2R)-1-methylpyrrolidin-2-yl] prop-2-enamide, preparation method thereof and use thereof in medicine ((E)-N-[4-[[3-氯-4-(2-吡啶基甲氧基)苯基]氨基]-3-氰基-7-乙氧基-6-喹啉基]-3-[(2R)-1-甲基吡咯烷-2-基]丙-2-烯酰胺的可藥用的鹽、其製備方法及其在醫藥上的應用)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	Russia, South Korea
106 . . .	Cycloalkylcarboxylic acid derivatives, preparation methods thereof and their application in medicine (環烷基甲酸類衍生物、其製備方法及其在醫藥上的應用)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	United States, Europe, Japan, Australia, Mexico, Brazil, South Korea, Canada
107 . . .	A bisulfate salt of a JAK kinase inhibitor and a preparation method thereof (一種JAK激酶抑制劑的硫酸氫鹽及其製備方法)	the Company	Invention Patent	United States, Europe, Australia, Japan, Russia, Mexico, Brazil, South Korea, Canada
108 . . .	Pyrazolopyrimidone or pyrrolotriazineone derivatives, preparation method thereof and application thereof in medicine (吡唑並嘧啶酮類或吡咯並三嗪酮類衍生物、其製備方法及其在醫藥上的應用)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	United States, Mexico, Europe, Australia, Japan, Russia, Brazil, Canada
109 . . .	IL-17A conjugates and uses thereof (IL-17A結合物及其用途)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	United States, Mexico, Europe, Japan, Russia, Brazil, South Korea, Australia, Canada

No.	Patent	Patent Owner	Type of Patent	Place of Registration
110 . . .	PD-1 antibody, antigen-binding fragment thereof and medical use thereof (PD-1抗體、其抗原結合片段及其醫藥用途)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	Europe, Japan, South Korea, Canada, Australia, Eurasia, Ukraine, Brazil, Mexico, Indonesia, Philippines, Peru, Vietnam, South Africa, Malaysia, New Zealand, Singapore, Chile, Costa Rica, Israel, Sri Lanka, India, Egypt
111 . . .	A crystal form of a bisulfate salt of a JAK kinase inhibitor and a preparation method thereof (一種JAK激酶抑制劑的硫酸氫鹽的結晶形式及其製備方法)	the Company	Invention Patent	United States, Europe, Japan, Russia, Brazil, South Korea, Australia, Canada
112 . . .	PD-L1 antibody, antigen-binding fragment thereof and medical use thereof (PD-L1抗體、其抗原結合片段及其醫藥用途)	the Company, Suzhou Suncadia Biopharmaceuticals, Shanghai Hengrui Pharmaceuticals	Invention Patent	United States, Japan, South Korea, Mexico, Russia, Australia
113 . . .	Use of an anti-PD-1 antibody and a VEGFR inhibitor in combination in the preparation of a drug for treating cancer (一種抗PD-1抗體和VEGFR抑制劑聯合在製備治療癌症的藥物中的用途)	the Company, Suzhou Suncadia Biopharmaceuticals	Invention Patent	Japan, South Korea, Mexico, Russia, Indonesia, Australia
114 . . .	Fusion protein containing TGF-β receptor and its medical use (含有TGF-β受體的融合蛋白及其醫藥用途)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	United States, Japan, South Korea, Vietnam, Ukraine, Mexico, Russia, Malaysia, Indonesia, Australia
115 . . .	A PD-L1 antibody pharmaceutical composition and its use (一種PD-L1抗體藥物組合物及其用途)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	United States, Japan, South Korea, Mexico, Russia, Malaysia, Vietnam, Indonesia
116 . . .	A crystal form of PARP-1 inhibitor and preparation method thereof (一種PARP-1抑制劑的晶型及其製備方法)	the Company	Invention Patent	Russia, Malaysia, Indonesia
117 . . .	IL-5 antibody, antigen-binding fragment thereof and medical use (IL-5抗體、其抗原結合片段及醫藥用途)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	United States, Japan, South Korea, South Africa, Russia, Malaysia
118 . . .	Antibodies binding to human IL-4R, antigen-binding fragments thereof, and medical uses thereof (結合人IL-4R的抗體、其抗原結合片段及其醫藥用途)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	Japan, Russia, Indonesia, United States, Vietnam
119 . . .	Use of an anti-PD-1 antibody and famitinib in the preparation of a drug for treating tumors (一種抗PD-1抗體和法米替尼聯合在製備治療腫瘤的藥物中的用途)	the Company, Suzhou Suncadia Biopharmaceuticals	Invention Patent	Russia, United States

No.	Patent	Patent Owner	Type of Patent	Place of Registration
120 . . .	A TGF-β receptor fusion protein pharmaceutical composition and its use (一種TGF-β受體融合蛋白藥物組合物及其用途)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	Japan, Ukraine, Russia, Vietnam
121 . . .	Pharmaceutical composition containing anti-IL-5 antibody and use thereof (包含抗IL-5抗體的藥物組合物及其用途)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	South Africa, Russia
122 . . .	Salt of bicyclic substituted pyrazolone azo derivatives, preparation method thereof and use thereof in medicine (雙環取代吡唑酮偶氮類衍生物的鹽,其製備方法及其在醫藥上的應用)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	Europe, United States, Russia, Ukraine, Mexico, South Africa, Australia, South Korea, Canada, Brazil, Egypt
123 . . .	Antibodies capable of binding to thymic stromal lymphopoietin and their use (能結合胸腺基質淋巴細胞生成素的抗體及其應用)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	United States, Russia, South Africa
124 . . .	Neurokinin-1 antagonists (神經激肽-1拮抗劑)	the Company, Shanghai Shengdi Pharmaceutical, Shanghai Senhui Pharmaceutical	Invention Patent	Russia, Vietnam, Mexico
125 . . .	Echinocandin analogs and preparation methods thereof (棘白菌素類似物及其製備方法)	the Company, Shanghai Senhui Pharmaceutical, Shanghai Shengdi Pharmaceutical	Invention Patent	Russia
126 . . .	Anti-ANGPTL3 antibodies and their applications (抗ANGPTL3抗體及其應用)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	Russia
127 . . .	A cephalosporin antibacterial compound and preparation method thereof (一種頭孢類抗菌化合物及其製備方法)	the Company, Shanghai Shengdi Pharmaceutical, Shanghai Senhui Pharmaceutical	Invention Patent	Russia
128 . . .	Anti-HER3 antibody and anti-HER3 antibody drug conjugate and medical use thereof (抗HER3抗體和抗HER3抗體藥物偶聯物及其醫藥用途)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	Eurasia

(c) Domain Names

As of the Latest Practicable Date, our Group had registered the following domain names which are material to our business:

No.	Domain Name	Registered Owner
1. . .	hengrui.com	the Company

C. FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) Interests of the Directors, Supervisors and chief executive of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations

Immediately following the completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised), the interests or short positions of our Directors, Supervisors or chief executive in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, under section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, under the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules ("Model Code"), once the H Shares are [**REDACTED**] will be as follows:

(i) Interest in Shares of our Company

Name of Director, Supervisor or chief executive	Nature of interest	Description of Shares upon completion of the [REDACTED]	Number of Shares	Approximate percentage of shareholding in the total issued share capital of our Company as of the Latest Practicable Date	Approximate percentage of shareholding in the total share capital of our Company upon completion of the [REDACTED][(1)]
Mr. Sun Piaoyang (孫飄揚先生)	Interest held by controlled corporation[(2)]	A Shares	1,538,184,187	24.11%	[**REDACTED**]
Mr. Dai Hongbin (戴洪斌先生)	Beneficial owner	A Shares	1,708,842	0.03%	[**REDACTED**]
Mr. Zhang Lianshan (張連山先生)	Beneficial owner	A Shares	497,152	0.01%	[**REDACTED**]
Mr. Sun Jieping (孫杰平先生)	Beneficial owner	A Shares	1,907,032	0.03%	[**REDACTED**]
Mr. Yuan Kaihong (袁開紅先生)	Beneficial owner	A Shares	1,276,000	0.02%	[**REDACTED**]

Notes:

(1) The calculation is based on the assumption that the [**REDACTED**] is not exercised.

(2) As of the Latest Practicable Date, (i) Hengrui Group directly held 1,538,184,187 A Shares; and (ii) Mr. Sun Piaoyang, our chairman of the Board and one of our executive Directors, held an 89.2% equity interest in Hengrui Group. Therefore by virtue of the SFO, Mr. Sun is deemed to be interested in the A Shares held by Hengrui Group.

(ii) Interest in shares of associated corporations of our Company

Name of Director, Supervisor or chief executive	Nature of interest	Name of associated corporation	Approximate percentage of shareholding
Mr. Sun Piaoyang (孫飄揚先生).	Beneficial owner	Chengdu Suncadia Medicine	1.22%
	Beneficial owner	Ruilidi Biopharmaceuticals (Shanghai) Co., Ltd. (瑞利迪(上海)生物醫藥有限公司)	40.00%
	Interest in controlled corporation(1)	Shanghai Shengdi Biopharmaceuticals Private Investment Fund Partnership (Limited Partnership) (上海盛迪生物醫藥私募投資基金合夥企業(有限合夥))	48.54%
	Interest in controlled corporation(1)	Shanghai Regenelead Therapies Co., Ltd. (上海瑞宏迪醫藥有限公司)	28.00%
Mr. Dai Hongbin (戴洪斌先生).	Beneficial owner	Chengdu Suncadia Medicine	0.12%
Mr. Zhang Lianshan (張連山先生).	Beneficial owner	Chengdu Suncadia Medicine	0.11%
Mr. Sun Jieping (孫杰平先生).	Beneficial owner	Chengdu Suncadia Medicine	0.12%
	Interest in controlled corporation(2)	Shanghai Shengdi Private Equity Management Co., Ltd. (上海盛迪私募基金管理有限公司) ("Shanghai Shengdi Private Equity")	40.00%
Mr. Yuan Kaihong (袁開紅先生).	Beneficial owner	Chengdu Suncadia Medicine	0.12%

Notes:

(1) As of the Latest Practicable Date, (i) Hengrui Group held 48.5% equity interest in Shanghai Shengdi Biopharmaceuticals Private Investment Fund Partnership (Limited Partnership) (上海盛迪生物醫藥私募投資基金合夥企業(有限合夥)) and 28.0% equity interest in Shanghai Ruihongdi Pharmaceutical Co., Ltd. (上海瑞宏迪醫藥有限公司); and (ii) Mr. Sun, our chairman of the Board and one of our executive Directors, held an 89.2% equity interest in Hengrui Group. As such, Mr. Sun is deemed to be interested in the shares held by Hengrui Group.

(2) As of the Latest Practicable Date, (i) Shanghai Yaorong Enterprise Management Center (Limited Partnership) (上海曜嶸企業管理中心(有限合夥)) ("Shanghai Yaorong") held 40.0% equity interest in Shanghai Shengdi Private Equity Management Co., Ltd. (上海盛迪私募基金管理有限公司); and (ii) Mr. Sun Jieping, one of our executive Directors, held 50.0% interest in Shanghai Yaorong in the capacity as executive and general partner. As such, Mr. Sun is deemed to be interested in the shares held by Shanghai Yaorong.

(b) Interests of the substantial shareholders in any member of our Group (other than our Company)

Member of our Group	Name of substantial shareholder	Approximate percentage of shareholding interest held by the substantial shareholder
Shanghai Shengdi Private Equity	Shanghai Yaorong	40%
HR BIO Holdings Limited	ELV PCE Holdings Limited	30%
Atridia Pty Ltd	Soaring Technology Limited	25%
Atridia Pty Ltd	Nice Nature Limited	36%

Save as disclosed above, immediately following the completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised), our Directors are not aware of any person, not being a Director, Supervisor or chief executive of our Company who will, directly or indirectly, be interested in 10% or more of the nominal value of the share capital carrying rights to vote in all circumstances at general meetings of any member of our Group (other than our Company).

2. Particulars of Service Contracts and Appointment Letters

We [have] entered into a service contract or appointment letter with each of our Directors and Supervisors. The principal particulars of these service contracts and appointment letters are: (a) each of the contracts is for a term of three years following his/her respective effective date of his/her appointment; and (b) each of the contracts is subject to termination in accordance with their respective terms. The service contracts and appointment letters may be renewed in accordance with our Articles of Association and the applicable laws, rules and regulations from time to time.

Save as disclosed above, none of the Directors or Supervisors has or is proposed to have a service contract with any member of our Group (other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation other than statutory compensation).

3. Directors' and Supervisors' Remuneration

The aggregate remuneration (including fees, salaries, bonuses, allowances, benefits in kind, pension scheme contributions and share-based payment expenses) for our Directors in respect of the financial years ended December 31, 2022, 2023 and the nine months ended 30 September, 2024 were approximately RMB10.5 million, RMB20.4 million and RMB21.5 million, respectively.

The aggregate remuneration (including salaries, bonuses, allowances, benefits in kind, pension scheme contributions and share-based payment expenses) for our Supervisors in respect of the financial years ended December 31, 2022, 2023 and the nine months ended 30 September, 2024 were approximately RMB2.7 million, RMB3.0 million and RMB2.9 million, respectively.

Details of our Directors' and Supervisors' remuneration are also set out in note 9 of the Accountants' Report set out in Appendix I to this document. Save as disclosed in the Accountants' Report, no other emoluments have been paid or are payable by our Company or any of our subsidiaries to our Directors or Supervisors during the Track Record Period.

For the financial years ended December 31, 2022, 2023 and the nine months ended September 30, 2024, there was/were one, three and three Directors among the five highest paid individuals, respectively. During the Track Record Period, the aggregate remuneration for the remaining four, two and two highest paid individuals amounted to RMB11.8 million, RMB7.5 million and RMB8.2 million for the years ended December 31, 2022, 2023 and the nine months ended 30 September, 2024, respectively.

Under the arrangements currently in force, the aggregate remuneration (excluding share-based payment expenses) for our Directors and Supervisors for the financial year ending December 31, 2025 is estimated to be approximately RMB21 million.

None of the Directors, Supervisors or the five highest paid individuals has been paid any sum of money for the Track Record Period (i) as an inducement to join or upon joining us; or (ii) as compensation for loss of office in connection with the management of the affairs of any member of our Group.

Save as disclosed in note 9 of the Accountants' Report set out in Appendix I to this document, there has been no arrangement under which a Director or Supervisor has waived or agreed to waive any remuneration during the Track Record Period.

None of the Directors has been or is interested in the promotion of, or in the property proposed to be acquired by, us, and no sum has been paid or agreed to be paid to any of them in cash or shares or otherwise by any person either to induce him to become, or to qualify him as, a Director, or otherwise for services rendered by him in connection with the promotion or formation of our Company.

4. Fees or commissions received

Save in connection with the [**REDACTED**], no commissions, discounts, brokerages or other special terms had been granted or agreed to be granted in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this document.

5. Disclaimers

(a) Save as disclosed in the section headed "C. Further Information About our Directors, Supervisors and Substantial Shareholders—1. Disclosure of Interests" in this Appendix VI, none of our Directors, Supervisors or chief executive has any interests and short positions in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he 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 will be required, pursuant to the Model Code to be notified to us and the Stock Exchange, in each case once our H Shares are [**REDACTED**] on the Stock Exchange.

(b) None of our Directors, Supervisors or any of the parties listed in the paragraph headed "E. Other Information—6. Qualification of Experts" below is interested in our promotion, or in any assets which have, within the two years immediately preceding the issue of this document, been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to us.

(c) None of our Directors or Supervisors is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group.

(d) Save in connection with the [**REDACTED**], none of the parties listed in the paragraph headed "E. Other Information—6. Qualification of Experts" below: (i) is interested, legally or beneficially, in any of our Shares or any shares in any of our subsidiaries; or (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

D. A SHARE EMPLOYEE STOCK OWNERSHIP SCHEMES

Our Company adopted the 2022 Employee Stock Ownership Scheme, the 2023 Employee Stock Ownership Scheme and the 2024 Employee Stock Ownership Scheme (collectively, the "A Share Employee Stock Ownership Schemes") during the period from September 8, 2022 to September 6, 2024, which were outstanding as of the Latest Practicable Date. The terms of the A Share Employee Stock Ownership Schemes are not subject to the provisions of Chapter 17 of the Listing Rules regarding share schemes involving issue of new shares. Save as otherwise disclosed, the terms of each of the A Share Employee Stock Ownership Schemes are substantially similar and are summarized below.

(i) Participants of the schemes

The participants of the A Share Employee Stock Ownership Schemes include directors, supervisors, senior management, core management and key personnel as set out in the schemes.

(ii) Source of shares and participants' interest in the schemes

Our Company will repurchase A Shares from the open market, and transfer a prescribed number of such A Shares to the relevant employee stock ownership schemes at a certain purchase price, as set out under each scheme. The purchase of A Shares to be held for each scheme shall be funded by the legal income of the employees, self-raised funds or other sources permitted by laws and regulations. Each participant of the A Share Employee Stock Ownership Schemes holds a certain percentage of interest in the relevant A Share Employee Stock Ownership Scheme.

(iii) Term of the schemes

Each A Share Employee Stock Ownership Scheme is valid for a period of five years, commencing from the date of approval by the Shareholders and upon publication of an announcement by our Company regarding the transfer of relevant A Shares from our Company stock repurchase account to the relevant employee stock ownership scheme (the "Announcement Date").

(iv) Administration of the schemes

The A Share Employee Stock Ownership Schemes are subject to the approval of the Shareholders. Each scheme is administered by a committee (the "Scheme Management Committee"), the members of which are elected by the participants of that scheme. The Scheme Management Committees oversee the day-to-day management of the A Share Employee Stock Ownership Schemes, and exercise shareholders' rights in respect of the A Shares held under each scheme on behalf of its participants.

(v) Vesting of the shares

Each participants' entitlement to the corresponding portion of A Shares (together with any dividend) held by the A Share Employee Stock Ownership Schemes, shall be vested in three tranches in the proportion of 40%, 30% and 30%, upon expiry of a period of 12 months, 24 months and 36 months from the Announcement Date, respectively. The vesting of A Shares shall be subject to attainment of corporate performance targets and personal evaluation for each participant. The vested A Shares shall either be sold by the Scheme Management Committee, with the proceeds to be distributed to the participants proportionately, or transferred to the relevant participant.

(vi) Total number of shares held by the schemes

As of the Latest Practicable Date, the total number of A Shares held by the A Share Employee Stock Ownership Schemes was 28,913,722, representing approximately [**REDACTED**]% of the issued Shares immediately upon completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised).

The table below sets forth the details of the A Shares held by the A Share Employee Stock Ownership Schemes:

Employee Stock Ownership Scheme	Maximum number of grantees	A Shares held by the scheme as of the Latest Practicable Date	Approximate percentage of issued Shares as of the Latest Practicable Date	Approximate percentage of issued Shares immediately after completion of the [REDACTED][(1)]
2022 Employee Stock Ownership Scheme . . .	1,158	5,213,722	0.08%	[**REDACTED**]
2023 Employee Stock Ownership Scheme . . .	1,178	11,500,000	0.18%	[**REDACTED**]
2024 Employee Stock Ownership Scheme . . .	1,203	12,200,000	0.19%	[**REDACTED**]

Note:

(1) The calculation is based on the assumption that the [**REDACTED**] is not exercised.

As of the Latest Practicable Date, the aggregate number of A Shares underlying the outstanding awards granted under the A Share Employee Stock Ownership Schemes amounted to 1,264,700 A Shares to our Directors, Supervisors and other connected persons, representing approximately 0.016%, 0.001% and 0.003% interest in our Company, respectively. Apart from (i) Mr. Dai Hongbin, Mr. Zhang Lianshan, Mr. Jiang Frank Ningjun and Mr. Sun Jieping, each being a Director of our Company; (ii) Mr. Yuan Kaihong and Ms. Xu Yu, each being a Supervisor of our Company; and (iii) Mr. Wang Xiaoke, Mr. Han Xiuguang, Mr. Xi Ganlin and Mr. Wu Jiagang, each being a director of certain of our subsidiaries, none of the other grantees under the A Share Employee Stock Ownership Schemes are connected persons of our Company as of the Latest Practicable Date.

E. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that currently no material liability for estate duty under PRC law is likely to fall upon our Company or any of our subsidiaries under the laws of Hong Kong and the PRC.

2. Litigation

As of the Latest Practicable Date, we are not aware of any litigation or arbitration proceedings of material importance pending or threatened against any member of our Group that could have a material adverse effect on our financial condition or results of operations.

3. Joint Sponsors

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. The fee payable to each of the Joint Sponsors in respect of its services as a sponsor for the [**REDACTED**] is HK$2,000,000 per Joint Sponsor and payable by us.

4. Preliminary Expenses

We have not incurred any material preliminary expenses in relation to the incorporation of our Company.

5. Promoters

Information of our promoters at the time of our Company's incorporation as a joint stock limited company in April 1997 is as follows:

No.	Name
1. . .	Lianyungang Hengrui Group Co., Ltd. (連雲港恒瑞集團有限公司), formerly known as Lianyungang Pharmaceutical Industry Corporation (連雲港市醫藥工業公司)
2. . .	Lianyungang Hengrui Group Co., Ltd. Labor Union (連雲港恒瑞集團有限公司工會) (formerly known as Lianyungang Pharmaceutical Industry Corporation Labor Union Working Committee (連雲港市醫藥工業公司工會工作委員會)
3. . .	China National Pharmaceutical Investment Co., Ltd. (中國醫藥投資有限公司), formerly known as China National Pharmaceutical Industry Corporation (中國醫藥工業公司)
4. . .	Lianyungang Pharmaceutical Purchasing and Supply Station of Jiangsu Province (江蘇省連雲港醫藥採購供應站)
5. . .	Lianyungang Kangyuan Pharmaceutical Co., Ltd. (連雲港康緣製藥有限責任公司)

Within the two years immediately preceding the date of this document, no cash, securities or other benefits has been paid, allotted or given, or has been proposed to be paid, allotted or given, to any of the promoters named above in connection with the [**REDACTED**] or the related transactions described in this document.

6. Qualification of Experts

The following are the qualifications of the experts who have given opinions or advice which are contained in this document (in no particular order):

Morgan Stanley Asia Limited	A corporation licensed to carry on Type 1 (Dealing in Securities), Type 4 (Advising on Securities), Type 5 (Advising on Futures Contracts), Type 6 (Advising on Corporate Finance) and Type 9 (Asset Management) regulated activities under the SFO
Citigroup Global Markets Asia Limited	A corporation licensed to carry on Type 1 (Dealing in Securities), Type 2(Dealing in Futures Contracts) Type 4 (Advising on Securities), Type 5 (Advising on Futures Contracts), Type 6 (Advising on Corporate Finance) and Type 7 (Providing Automated Trading Services) regulated activities under the SFO
Huatai Financial Holdings (Hong Kong) Limited.	A corporation licensed to carry on Type 1 (Dealing in Securities), Type 2 (Dealing in Futures Contracts), Type 4 (Advising on Securities), Type 6 (Advising on Corporate Finance), Type 7 (Providing Automated Trading Services) and Type 9 (Asset Management) regulated activities under the SFO
Ernst & Young.	Certified Public Accountants and Registered Public Interest Entity Auditor
Commerce & Finance Law Offices	PRC legal advisor
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant

As at 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.

7. Consents of Experts

Each of the persons named in "—6. Qualification of Experts" has given and has not withdrawn its respective written consent to the issue of this document with the inclusion of its report and/or letter and/or opinion and/or the references to its name included in this document in the form and context in which it is respectively included.

8. Taxation of holders of H Shares

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty if such sale, purchase and transfer are effected on the H Share register of members of our Company, including in circumstances where such transactions are effected on the Stock Exchange. The rate charged on each of the purchaser and seller is 0.1% of the consideration of or, if higher, of the fair value of the H Shares being sold or transferred. For further details in relation to taxation, please refer to Appendix III to this document.

9. Binding Effect

This document shall have the effect, if an application is made in pursuance of this document, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

10. Restrictions on Share Repurchases

For details, see the sections headed "Appendix IV—Summary of Principal Legal and Regulatory Provisions" and "Appendix V—Summary of the Articles of Association" in this document.

11. Miscellaneous

(a) Within the two years immediately preceding the date of this document:

(i) save as disclosed in the sections headed "Share Capital" and "Structure of the [**REDACTED**]" in this document and in this Appendix VI, no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;

(ii) save in connection with the [**REDACTED**], no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries; and

(iii) save in connection with the [**REDACTED**], no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share or debenture in our Company.

(b) Our Group has not issued any debentures nor does it have any outstanding debentures or any convertible debt securities.

(c) No share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.

(d) Save as disclosed in this document, no founder or management or deferred shares of our Company have been issued or agreed to be issued.

(e) Our Directors confirm that:

(i) there has been no material adverse change in the financial or trading position or prospects of our Group since September 30, 2024 (being the date to which the latest consolidated financial statements of our Group were prepared);

(ii) there is no arrangement under which future dividends are waived or agreed to be waived; and

(iii) 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.

(f) Save for the A Shares of our Company that are listed on the Shanghai Stock Exchange as set out in the sections headed "History and Corporate Structure" and "Share Capital" in this document, no company within our Group is presently listed on any stock exchange or traded on any trading system.

(g) The English 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).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this document and delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of each of the material contracts referred to in the section headed "Statutory and General Information—B. Further Information About Our Business—1. Summary of Material Contracts" in Appendix VI to this document; and

(b) the written consents referred to in the section headed "Statutory and General Information—E. Other Information—7. Consents of Experts" in Appendix VI to this document.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.hengrui.com** up to and including the date which is 14 days from the date of this document:

(a) the Articles of Association;

(b) the Accountants' Report prepared by Ernst & Young, the text of which is set out in Appendix I to this document;

(c) the audited consolidated financial statements of our Company for the years ended December 31, 2022 and 2023 and the reviewed consolidated financial statements of our Company for the nine months ended September 30, 2024;

(d) the report on the [**REDACTED**] financial information received from Ernst & Young, the text of which is set out in Appendix II to this document;

(e) the PRC legal opinions issued by Commerce & Finance Law Offices, our PRC legal advisor, in respect of certain aspects and property interests of our Group in the PRC;

(f) the industry report issued by Frost & Sullivan, the summary of which is set forth in the section headed "Industry Overview" in this document;

(g) the material contract referred to in the section headed "Statutory and General Information—B. Further Information About Our Business—1. Summary of Material Contracts" in Appendix VI to this document;

(h) the written consents referred to in the section headed "Statutory and General Information—E. Other Information—7. Consents of Experts" in Appendix VI to this document;

(i) the service contracts and letters of appointment referred to in the section headed "Statutory and General Information—C. Further Information About Our Directors, Supervisors and Substantial Shareholders—2. Particulars of Service Contracts and Appointment Letters" in Appendix VI to this document; and

(j) the PRC Company Law, the PRC Securities Law and the Overseas Listing Trial Measures, together with unofficial English translations thereof.