Application Proof of

Shanghai Bao Pharmaceuticals Co., Ltd.
上海寶濟藥業股份有限公司

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

WARNING

The publication of this Application Proof is required by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and the Securities and Futures Commission (the "**Commission**") solely for the purpose of providing information to the public in Hong Kong.

This Application Proof is in draft form. The information contained in it is incomplete and is subject to change which can be material. By viewing this document, you acknowledge, accept and agree with Shanghai Bao Pharmaceuticals Co., Ltd. (the "**Company**"), its joint sponsors, overall coordinators, advisers or members of the underwriting syndicate that:

(a) this document is only for the purpose of providing information about the Company to the public in Hong Kong and not for any other purposes. No investment decision should be based on the information contained in this document;

(b) the publication of this document or supplemental, revised or replacement pages on the Stock Exchange's website does not give rise to any obligation of the Company, its joint sponsors, overall coordinators, advisers or members of the underwriting syndicate to proceed with an offering in Hong Kong or any other jurisdiction. There is no assurance that the Company will proceed with the offering;

(c) the contents of this document or supplemental, revised or replacement pages may or may not be replicated in full or in part in the actual final listing document;

(d) the Application Proof is not the final listing document and may be updated or revised by the Company from time to time in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;

(e) this document does not constitute a prospectus, offering circular, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it calculated to invite offers by the public to subscribe for or purchase any securities;

(f) this document must not be regarded as an inducement to subscribe for or purchase any securities, and no such inducement is intended;

(g) neither the Company nor any of its affiliates, advisers or underwriters is offering, or is soliciting offers to buy, any securities in any jurisdiction through the publication of this document;

(h) no application for the securities mentioned in this document should be made by any person nor would such application be accepted;

(i) the Company has not and will not register the securities referred to in this document under the United States Securities Act of 1933, as amended, or any state securities laws of the United States;

(j) as there may be legal restrictions on the publication of this document or dissemination of any information contained in this document, you agree to inform yourself about and observe any such restrictions applicable to you; and

(k) the application to which this document relates has not been approved for listing and the Stock Exchange and the Commission may accept, return or reject the application for the subject public offering and/or listing.

No offer or invitation will be made to the public in Hong Kong until after a prospectus of the Company has been registered with the Registrar of Companies in Hong Kong in accordance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). If an offer or an invitation is made to the public in Hong Kong in due course, prospective investors are reminded to make their investment decisions solely based on the Company's prospectus registered with the Registrar of Companies in Hong Kong, copies of which will be made available to the public during the offer period.

IMPORTANT

IMPORTANT: *If you are in any doubt about any of the contents of this document, you should obtain professional independent advice.*

Shanghai Bao Pharmaceuticals Co., Ltd.
上海寶濟藥業股份有限公司

(A joint stock company established 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 brokerage of 1.0%, AFRC transaction levy of 0.00015%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.00565% (payable in full on [REDACTED] in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**RMB0.20 per H Share**
[REDACTED]	**:**	**[REDACTED]**

Joint Sponsors, **[REDACTED], [REDACTED], [REDACTED]**

CITIC SECURITIES 海通國際 HAITONG

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

A copy of this document, having attached thereto the documents specified in "Documents Delivered to the Registrar of Companies in Hong Kong and Available on Display" in Appendix VIII, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this document or any other documents referred to above.

The [**REDACTED**] is expected to be determined by agreement between the [[**REDACTED**] (for themselves and on behalf of the [**REDACTED**])] and our Company on the [**REDACTED**]. The [**REDACTED**] is expected to be on or around [**REDACTED**] (Hong Kong time) and, in any event, not later than 12:00 noon [**REDACTED**] (Hong Kong time).

The [**REDACTED**] will not be more than HK$[**REDACTED**] per [**REDACTED**] and is currently expected to be not less than HK$[**REDACTED**] per [**REDACTED**]. If, for any reason, the [**REDACTED**] is not agreed by 12:00 noon [**REDACTED**] (Hong Kong time) between the [[**REDACTED**] (for themselves and on behalf of the [**REDACTED**])] and our Company, the [**REDACTED**] will not proceed and will lapse.

The [[REDACTED] (for themselves and on behalf of the [REDACTED])] may, with our consent, reduce the number of [REDACTED] being [REDACTED] under the [REDACTED] and/or the [REDACTED] below that stated in this document at any time on or prior to the morning of the last day for lodging applications under the [REDACTED]. In such case, an announcement will be published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.baopharma.com and the [REDACTED] will be canceled and relaunched at the revised number of [REDACTED] and/or the revised [REDACTED] range and the requirements under Rule 11.13 of the Listing Rules (which include the issue of a supplemental or a new document (as appropriate)), as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the [REDACTED]. Further details are set forth in the sections headed "[REDACTED]" and "[REDACTED]" in this document.

The obligations of the [**REDACTED**] under the [**REDACTED**] are subject to termination by the [[**REDACTED**] (for themselves and on behalf of the [**REDACTED**])] if certain events occur prior to 8:00 a.m. on the [**REDACTED**]. See "[**REDACTED**] — [**REDACTED**] — [**REDACTED**] — [**REDACTED**]" for further details.

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

The [**REDACTED**] have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be [**REDACTED**], sold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons (as defined in Regulation S), except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The [**REDACTED**] may be [**REDACTED**], sold or delivered outside the United States to non-U.S. persons in offshore transactions in accordance with Regulation S.

[REDACTED]

IMPORTANT

[**REDACTED**]

IMPORTANT

[**REDACTED**]

EXPECTED TIMETABLE[1]

[**REDACTED**]

EXPECTED TIMETABLE[1]

[**REDACTED**]

EXPECTED TIMETABLE[1]

[**REDACTED**]

CONTENTS

IMPORTANT NOTICE TO PROSPECTIVE [REDACTED]

This document is issued by our Company solely in connection with the **[REDACTED]** *and the* **[REDACTED]** *and does not constitute an* **[REDACTED]** *to sell or a solicitation of an* **[REDACTED]** *to* **[REDACTED]** *other than the* **[REDACTED]** *by this document pursuant to the* **[REDACTED]**. *This document may not be used for the purpose of making, and does not constitute, an* **[REDACTED]** *or* **[REDACTED]** *in any other jurisdiction or in any other circumstances. No action has been taken to permit a* **[REDACTED]** *of the* **[REDACTED]** *in any jurisdiction other than Hong Kong and no action has been taken to permit the publication of this document in any jurisdiction other than Hong Kong. The distribution of this document for purposes of a* **[REDACTED]** *and the* **[REDACTED]** *and* **[REDACTED]** *of the* **[REDACTED]** *in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.*

You should rely only on the information contained in this document to make your **[REDACTED]** *decision. The* **[REDACTED]** *is made solely on the basis of the information contained and the representations made in this document. We have not authorized anyone to provide you with information that is different from what is contained in this document. Any information or representation not contained nor made in this document must not be relied on by you as having been authorized by the Company, the Joint sponsors, the* **[REDACTED]**, *the* **[REDACTED]**, *the* **[REDACTED]**, *the* **[REDACTED]**, *any of the* **[REDACTED]** *and the* **[REDACTED]**, *any of our or their respective directors, officers, employees, agents, or representatives of any of them or any other parties involved in the* **[REDACTED]**. *Information contained on our website (**www.baopharma.com**) does not form part of this document.*

CONTENTS

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

OVERVIEW

We are a pioneer in China leveraging synthetic biology technology to develop and deliver recombinant biologic drugs that address significant clinical needs yet are difficult to produce. Since our inception in 2019, we have strategically focused on creating biologic drugs that elevate treatment standards by replacing biochemically extracted products derived from animal organs, blood or urine, or otherwise upgrading the current treatments. We have established proprietary technology platforms, anchored by our unique chassis cell engineering technology, combining advanced drug design and bioprocessing capabilities. Our technology platforms enable us to achieve a leading position in developing drug candidates across four strategic therapeutic areas with a combined total addressable market size exceeding RMB50 billion by 2033 according to Frost & Sullivan: (i) large-volume subcutaneous (SC) drug delivery, (ii) antibody-mediated autoimmune conditions, (iii) drugs in assisted reproduction and (iv) recombinant biologic products as transformative alternative to traditional biochemical production.

As of the Latest Practicable Date, we have cultivated a differentiated pipeline spanning these four therapeutic areas, consisting of five clinical-stage drug candidates, including our three Core Products, KJ017, KJ103 and SJ02, and seven preclinical assets. With respect to each of our Core Products, (i) KJ017 is a highly glycosylated recombinant human hyaluronidase, being developed to enable rapid, large-volume SC delivery of co-administered drugs; (ii) KJ103 is an innovative recombinant immunoglobulin G (IgG)-degrading enzyme for the treatment of a multitude of immunological diseases and conditions driven by the pathogenic activity of IgG. We are currently evaluating KJ103 in kidney transplantation desensitization, anti-glomerular basement membrane disease (anti-GBM disease), as well as Guillain-Barré syndrome (GBS) across different stages of clinical trials; and (iii) SJ02 is a long-acting recombinant human follicle-stimulating hormone carboxylterminal peptide fusion protein (FSH-CTP) designed for controlled ovarian stimulation (COS) in combination with a gonadotropin-releasing hormone (GnRH) antagonist. All of our Core Products have progressed

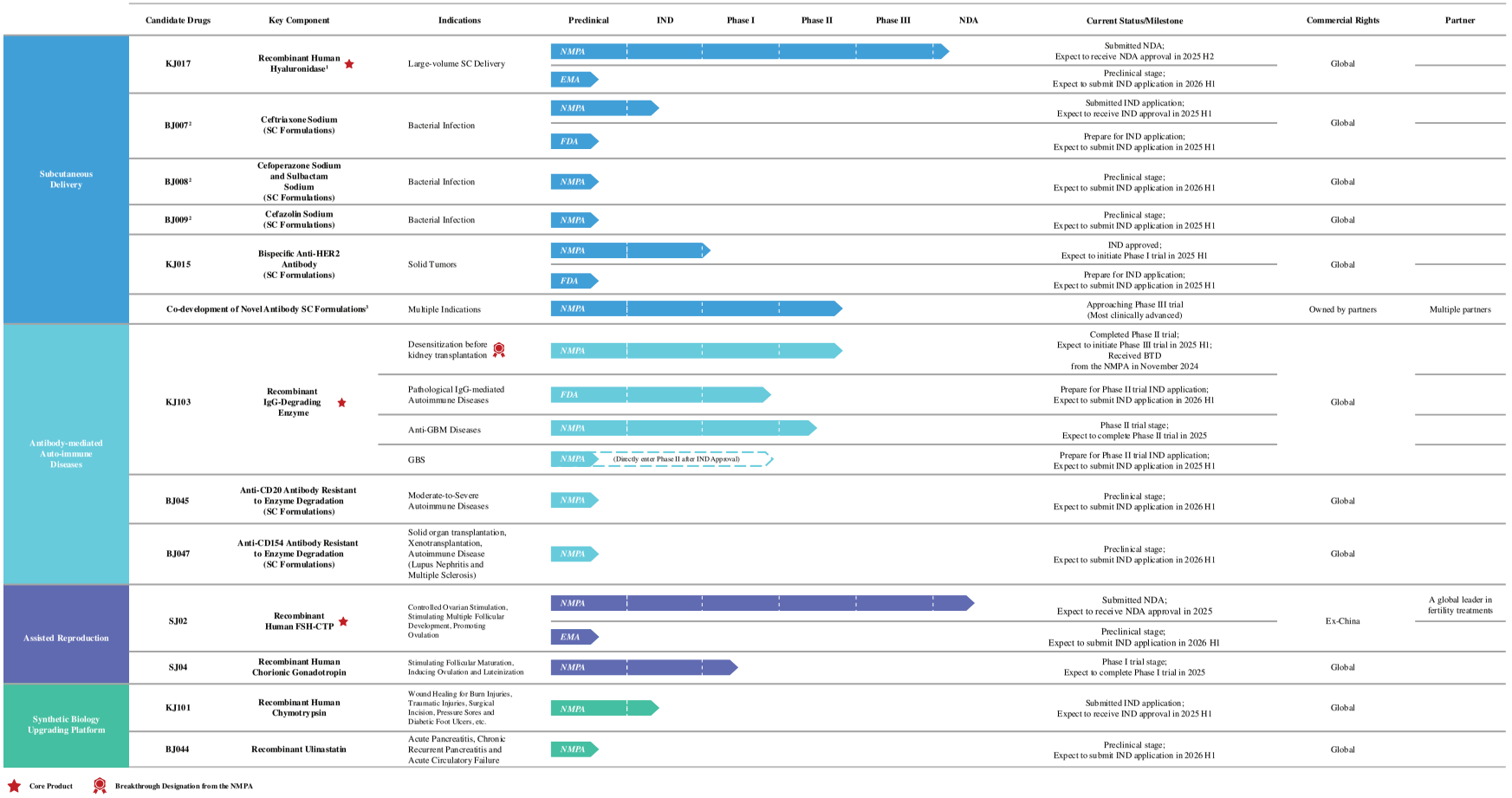
into late-stage trial- or NDA registration-stage in China. Moreover, we are actively advancing a diverse range of other pipeline assets, particularly those innovative recombinant biologics as transformative alternatives to traditional biochemically extracted drugs, including KJ101 and BJ044.

Our drug development centers on efficiently upgrading blockbuster therapeutics with substantial market value or untapped potential, which differentiates us in the biopharmaceutical industry. By targeting the upgrades of existing therapeutics that have already achieved widespread clinical adoption, we ensure our innovations directly benefit established and expanding patient populations. We have strategically positioned our pipeline to address critical limitations of these products through our cutting-edge synthetic biology technology capabilities, with development priorities firmly anchored in real-world clinical demands. Such drug development strategy also enables us to swiftly translate our scientific discoveries into tangible commercial success. Further, our high efficiency is also highlighted by our exceptional clinical success rates, as we focus on enhancing clinically validated therapeutics. This value-oriented approach empowers us to consistently achieve accelerated drug development timeframe with reduced costs.

We have established commercial-scale manufacturing capabilities that enable efficient and high-quality production, while achieving cost advantages that allows us to extend our reach into additional therapeutic areas and unlock new market opportunities. For example, in the field of large-volume SC delivery, we are pursuing a "Two-Anti (referring to antibody drugs and antibiotics)" strategy to develop SC formulations for both antibody drugs and chemicals especially antibiotics, demonstrating our ability to produce not only high-end biologics but also affordable conventional medicines in wide use through SC administration. Leveraging the early-mover advantages, clinical versatility and scalable cost-efficient production of our drug candidates, we have adopted a multi-faceted business model that integrates in-house R&D with external collaborations and excipient supply. Tailoring our approach to the unique strengths of each drug candidate, we aim to achieve predictable and sustainable returns while effectively managing risks and costs.

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

The following chart illustrates our pipeline and summarizes the development status of our five clinical-stage drug candidates and seven selected preclinical-stage candidates as of the Latest Practicable Date:



Abbreviations: BTD = Breakthrough Therapy Designation; FSH-CTP = Follicle-stimulating hormone-carboxyl-terminal peptide; GBM = Glomerular Basement Membrane; GBS = Guillain-Barré syndrome; H1 = First Half; H2 = Second Half; IgG = Immunoglobulin G; SC = Subcutaneous.

SUMMARY

Notes:

(1) We have completed the pharmaceutical excipient registration in China and are advancing the registration progress globally.

(2) The subcutaneous antibiotic formulation is developed based on the Chemical Drug Modification (Category 2.2) new administration route, with subsequent studies on area under the curve (AUC) equivalent and PK/PD.

(3) The clinical trials will be led by the partner, and the subsequent commercialization rights will belong entirely to the partner. As of the Latest Practicable Date, we have established formal partnerships with multiple pharmaceutical or biotechnology companies for the development of SC antibody formulations, such as Qyuns and Sumgen.

Our core business model is to in-house discover, develop and commercialize recombinant biologic drugs, which are strategically built across the following four core therapeutic areas, each addressing significant unmet medical needs with broad therapeutic applications:

Large-volume SC drug delivery

The trend towards large-volume SC drug delivery has gained widespread recognition in the pharmaceutical industry, as exemplified by the SC Drug Development & Delivery Consortium established in 2018 by over a dozen renowned multinational companies, which has been actively sharing expertise and publishing research findings in academic journals. In this field, our R&D efforts are represented by our recombinant human hyaluronidase with the potential to become the first to be approved in China. One of our Core Products, KJ017, a recombinant human hyaluronidase, enables rapid, large-volume SC delivery of various therapeutics traditionally administered intravenously (IV), improving the safety, patient convenience and potentially efficacy. To sustainably maximize clinical and commercial value of our recombinant human hyaluronidase products, we have implemented a multi-pronged strategy:

(i) *Launch of KJ017 monotherapy*. We are advancing KJ017 as a single drug towards commercial launch in China, for the facilitation of large-volume SC delivery of crystalloid solution. We have submitted a NDA for KJ017 as a single drug to the National Medical Products Administration (NMPA) in 2024 following completion of its Phase III clinical trials. In Europe, we plan to submit an IND application for KJ017 to the European Medicines Agency (EMA) in the first half of 2026.

(ii) *In-house development of SC antibody formulation*. We are also internally developing SC formulations of antibody drugs with large market potential, such as our innovative HER2-targeted bispecific antibody KJ015, anti-CD20 monoclonal antibody BJ045, and anti-CD154 monoclonal antibody BJ047.

(iii) *Partnerships with antibody drug developers*. We have established formal partnerships with multiple pharmaceutical or biotechnology companies for the development of SC antibody formulations, such as Qyuns and Sumgen. We continue to actively expand our collaboration ecosystem, with business development initiatives underway with over a dozen potential partners at various negotiation stages. Our typical collaboration model is that we continuously provide our recombinant human hyaluronidase products and technical services while our partners advance the development of SC formulation in combination with their antibody drug candidates at their costs.

(iv) *Pioneering SC antibiotics*. We are a global pioneer to develop SC formulations of widely used antibiotics. We have submitted an IND application for SC ceftriaxone sodium BJ007 to the NMPA in 2024 and are actively exploring SC cefoperazone sodium and sulbactam sodium BJ008 and SC cefazolin sodium BJ009 in preclinical studies.

As of the Latest Practicable Date, KJ017 is the first and only recombinant human hyaluronidase to reach NDA stage in China, which is expected to gain a leading position in the huge untapped market of China with its excellent clinical results. Globally, the market of recombinant human hyaluronidase globally is expected to grow from US$674.6 million in 2023 to US$2,980.3 million in 2028 and further to reach US$10,384.7 million by 2033, while the market in China is estimated to increase from RMB1,938.5 million in 2028 to RMB7,495.3 million in 2033. For recombinant human hyaluronidase monotherapy, the global market is expected to increase from US$111.2 million in 2023 to US$558.9 million in 2028 and US$1,097.0 million in 2033, while China's market is expected to reach RMB662.8 million in 2028 and further increase to RMB1,532.0 million in 2033. For recombinant human hyaluronidase combined with antibodies, the market size increased from RMB76.3 million in 2023 to RMB1,028.0 million by 2028 and RMB3,200.9 million by 2033 in China. For recombinant human hyaluronidase combined with antibiotics, the market size is projected to grow from RMB247.7 million in 2028 to RMB2,762.4 million in 2033 in China. For more information related to the market opportunities and competitive landscape of recombinant human hyaluronidase, see "Industry Overview — Analysis of the Subcutaneous Drug Delivery System Market."

Antibody-mediated autoimmune conditions

To address significant unmet needs related to a variety of antibody-mediated autoimmune conditions, we have in-house developed KJ103, an innovative IgG-degrading enzyme. It is the first and only low-immunogenic IgG-degrading enzyme to reach the pivotal clinical stage globally. KJ103 is designed to target and degrade IgG antibodies in the blood and tissues, thereby inhibiting pathogenic IgG-mediated immune responses that cause various immunological conditions. We are also actively exploring other drug candidates with synergistic effects within this area, including proprietary SC antibodies resistant to enzymatic degradation and IgM-degrading enzyme. Specifically, we are systematically exploring KJ103's therapeutic potential across multiple immune-related applications:

(i) *Organ transplantation.* KJ103 has entered into a Phase II/III trial in China for desensitizing highly human leukocyte antigen (HLA)-sensitized patients to enable kidney transplantation with its Phase II portion completed, exhibiting the potential to be the first IgG-degrading enzyme in China to fill this critical gap in transplant medicine. In November 2024, it received the Breakthrough Therapy Designation (BTD) from the NMPA for the treatment of this indication.

(ii) *Hundreds of pathogenic antibody-mediated acute autoimmune diseases*. KJ103 shows promise for treating a large number of acute autoimmune diseases caused by pathogenic autoantibodies with a huge market size. We have completed a Phase I safety and exploratory clinical trial in healthy subjects for KJ103 in New Zealand. Based on this trial, we may proceed with a subsequent clinical trial in the U.S. targeting acute autoimmune diseases caused by pathogenic IgG, as well as desensitizing highly HLA-sensitized patients. We plan to submit the Phase II trial IND application for KJ103 for the treatment of GBS to the U.S. Food and Drug Administration (FDA) in the first half of 2026.

We have also completed a Phase I clinical trial for KJ103 in healthy subjects in China. Leveraging the clinical data, we proceeded with the Phase II clinical trial of KJ103 for anti-GBM disease in China and have enrolled 8 out of the planned 9 to 12 subjects. We are also actively exploring its therapeutic potential in other antibody-mediated acute autoimmune diseases, and plan to submit an IND application for KJ103 to the NMPA for the treatment of GBS. KJ103 is expected to provide a safer treatment for patients with acute autoimmune disorders due to its low percentage and titer of pre-existing antibodies than the approved IgG-degrading enzyme on the market according to publicly available data.

(iii) *Combination therapy with recombinant antibodies resistant to enzymatic degradation*. Building on insights from our clinical research into KJ103, we understand it also exhibits high potential in combination use with certain antibody drugs for the treatment of various immune-related diseases. We are developing several proprietary SC recombinant antibodies resistant to enzymatic degradation based on our Robust-Hinge platform, such as our proprietary anti-CD20 and anti-CD154 antibodies BJ045 and BJ047, both of which completed preclinical proof-of-concept, aiming to provide enhanced efficiency and accelerate onset of action.

The global market of IgG-degrading enzyme reached US$9.8 million in 2023 and is estimated to reach US$1,430.0 million in 2028 and US$16,709.8 million in 2033. Meanwhile, the IgG-degrading enzyme market in China is expected to gain momentum slightly later from RMB326.6 million in 2028 to RMB6,452.5 million in 2033. As of the Latest Practicable Date, there are no IgG-degrading enzyme products targeting kidney transplantation available in China, which opens remarkable opportunities for KJ103. The market of IgG-degrading enzyme targeting kidney transplantation in China is projected to reach RMB239.8 million in 2028 and RMB1,186.6 million in 2033. The global incidence of antibody-mediated diseases continues to rise, with incidence of anti-GBM disease projected to increase from 9.6 thousand in 2023 to 12.1 thousand in 2033, while in China, cases are expected to grow from 1.3 thousand to 1.4 thousand during the same period. Similarly, GBS cases globally are forecasted to rise from 106.0 thousand in 2023 to 134.0 thousand in 2033, with incidence in China increasing from 10.2 thousand in 2023 to 11.3 thousand in 2033. For more information related to the market opportunities and competitive landscape of IgG-mediated autoimmune diseases, see "Industry Overview — Analysis of Antibody-Mediated Autoimmune Diseases Market."

Overall, our product portfolio in addressing antibody-mediated autoimmune conditions, including KJ103, antibodies resistant to enzyme degradation and any potential immunoglobulin M (IgM)-degrading enzyme, is well-positioned to tap into the emerging therapeutic fields such as xenotransplantation. In recent years, there has been significant advancement of xenotransplantation technology globally, as driven by the increasing prevalence of organ failure and shortage of human organs. Our proprietary product candidates can notably overcome the challenges of immune rejection in xenotransplantation, a key factor in the success of these procedures. Leveraging our expertise in enzyme technology and antibody development, we believe we are poised to capture a significant share of this growing market, contributing to the advancement of xenotransplantation and fulfilling underserved medical needs.

Drugs in assisted reproduction

We are developing a portfolio of innovative products designed to address key limitations of existing treatments in assisted reproduction, including SJ02 and SJ04. Our SJ02 is potentially the first long-acting recombinant human follicle-stimulating hormone (FSH) product to be approved in China. Our SJ02 can significantly reduce the treatment burden for users by reducing multiple injections to a single dose, offering enhanced convenience and compliance. We submitted the NDA for SJ02 to the NMPA in December 2023. In Europe, we plan to submit an IND application for SJ02 to the EMA in the first half of 2026.

In September 2024, we secured a landmark licensing and commercialization arrangement with an Independent Third Party, who is a global leader in fertility treatments (referred hereunder as "**Group A**"), for the exclusive commercial rights to SJ02 in mainland China. This partnership with a century-old pharmaceutical company renowned for its commitment to women's health not only validates our product quality but also significantly strengthens our branding recognition and potential expansion into international markets.

We have also developed SJ04, a recombinant human chorionic gonadotropin (hCG), for the use in assisted reproductive procedures to accelerate follicle maturation and induce ovulation. We obtained IND approvals from the NMPA for SJ04 in May 2024. Subsequently, we commenced a Phase I clinical trial for SJ04 in August 2024 in China.

In recent years, the market for drugs used in assisted reproduction in China has demonstrated consistent growth, with market size of RMB5.7 billion in 2023, and forecasted to reach RMB11.4 billion by 2028 and RMB17.3 billion by 2033. As the most clinically advanced FSH-CTP product in China, SJ02 is expected to address a projected large FSH market of RMB6.9 billion in 2028 and RMB10.7 billion in 2033 in China. For more information related to the market opportunities and competitive landscape of assisted reproduction and FSH-CTP, see "Industry Overview — Analysis of Assisted Reproduction Drugs Market."

Recombinant biologic products as transformative alternatives to traditional biochemical production

We are leveraging our synthetic biology expertise to develop innovative recombinant biologics. Our advanced biotechnology platform enables us to engineer chassis cells for the production of complex proteins that have traditionally been challenging to manufacture using conventional biochemical methods. In particular, our synthetic biology-driven processes address inefficiencies, impurities and safety risks including allergies and unknown virus contamination associated with traditional biochemical extraction methods in producing biologics. Our notable achievements in this area include KJ101, a leading recombinant human chymotrypsin created using synthetic biology in China, for which we have submitted the IND with the NMPA in November 2024, and BJ044, potentially the world's first recombinant ulinastatin developed through synthetic biology, with plans to submit an IND application for its Phase I trial to the NMPA in the first half of 2026. These recombinant biologic products

offer notable advantages in safety, supply stability, and cost-efficiency, which position them to progressively replace their biochemically extracted counterparts, transforming the market landscape and capturing significant market share in China.

The recombinant nature of KJ101 and BJ044 highlights their potential to replace biochemically extracted chymotrypsin and ulinastatin, addressing the significant market demand for these products. For KJ101, the chymotrypsin market in China increased from RMB1.6 billion in 2023 to RMB2.5 billion in 2028 and RMB3.4 billion by 2033. For BJ044, the market of ulinastatin in China was RMB1,156.4 million in 2023, and further expand to RMB1,513.2 million in 2028 and to RMB2,127.4 million in 2033. For more information related to the market opportunities and competitive landscape of recombinant human chymotrypsin and recombinant ulinastatin, see "Industry Overview — Analysis of Recombinant Biologic Products as Alternatives to Biochemical Drugs."

Our thoughtfully established pipeline demonstrate strong synergistic potential both within and across our core therapeutic areas. For instance, in the field of antibody-mediated autoimmune conditions, we are actively developing IgG-degrading enzyme and degradation-resistant antibodies, and exploring IgM-degrading enzyme, which can be integrated to develop potential combination therapies to unlock their clinical potential in cutting-edge areas, such as xenotransplantation. Another example is our BJ045 and BJ047 in SC formulations, which have linked our expertise in both large-volume SC drug delivery and addressing antibody-mediated autoimmune diseases.

We are also actively advancing the development of other new drug candidates to further enrich our pipeline utilizing our Robust-Hinge technology platforms. In addition, we are employing AI-driven drug discovery techniques to design and develop innovative therapies. Through bioinformatics tracing, we have reconstructed a uricase sequence lost during human evolution dating approximately tens of millions of years ago. Based on this sequence, we are developing a novel recombinant human uricase with low immunogenicity and suitability for repeated administration. This novel therapy is aimed to offer a more effective and sustainable treatment option for patients with severe gout, a condition with significant unmet clinical needs. Our strong research and development capabilities are evidenced by our publications in prestigious scientific journals and our robust intellectual property portfolio, which includes 16 granted patents and 66 patent applications worldwide.

We have built current Good Manufacturing Practice (cGMP)-compliant manufacturing infrastructure in Shanghai encompassing a site area of approximately 63,000 sq.m. Our existing manufacturing facilities feature cutting-edge production lines specifically designed for the manufacture of complex biological products, with specialized capabilities in recombinant protein drugs. To further expand our commercial-scale manufacturing capacity, we are constructing additional facilities in Shanghai, spanning a site area of approximately 37,000 sq.m., with completion of construction and commencement of operations anticipated by June 2026. Upon completion and operation of these new facilities, our projected total reactor volume will reach approximately 26,100L and our annual production capacity will be expanded to approximately 22.5 million formulations, positioning us as a leading manufacturer with capacity to fully support the production of our self-developed drugs.

With the strong medical and commercial prospects of our pipeline assets, we are executing a global strategy and aspire to treat patients worldwide. Building on KJ017's clinical results from China trials, we plan to initiate clinical studies overseas to evaluate its effects in facilitating liquid and drug absorption, with an expected IND submission to the EMA in the first half of 2026. This initiative not only aims to pave the way for KJ017's entry into international markets, but also to strengthen our collaborations with global partners in developing SC formulations incorporating KJ017. We are also considering conducting clinical studies for KJ103 overseas, further broadening its market potential in acute autoimmune diseases caused by autoantibodies. Moreover, we plan to submit the IND application for SJ02 to the EMA in Europe in the first half of 2026. In parallel, we are actively pursuing collaboration opportunities with multinational pharmaceutical companies across a range of our pipeline assets, including KJ017, KJ103, KJ015, BJ045, BJ047, and novel recombinant human uricase. These efforts aim to leverage the strengths of international partners to accelerate the global development and commercialization of our pipeline assets while generating sustainable revenue streams. With a robust pipeline, differentiated technology platforms, and a proven ability to forge strategic partnerships, we are well-positioned to address the global markets and deliver sustainable growth and long-term values.

OUR COMPETITIVE STRENGTHS

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

- Pioneering the transition from intravenous to subcutaneous drug delivery with potentially first recombinant human hyaluronidase in China;

- Focused autoimmune pipeline anchored by world's first low-immunogenic IgG-degrading enzyme to reach pivotal stage, potentially addressing hundreds of antibody-mediated acute autoimmune conditions caused by pathogenic IgG autoantibodies;

- Assisted reproductive portfolio features potentially first recombinant long-acting human follicle-stimulating hormone in China, validated by our partnership with a global leader in fertility treatments;

- Breakthroughs in recombinant biologic drug development using synthetic biology, offering a potential transformative alternative to biochemically extracted products and unlocking substantial market potential;

- Advanced technology platforms with commercial-scale manufacturing capabilities, ensuring cost efficiency and reinforcing our early-mover advantage; and

- A visionary management team with extensive industry experience and multidisciplinary expertise.

OUR STRATEGIES

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

- Accelerate development of our pipeline candidates in core therapeutic areas, unleashing clinical and commercial value;
- Continue to expand our pipeline with significant clinical needs;
- Advance our multi-faceted business model combining self-development, collaboration and excipient supply, and pursue and strengthen strategic partnership with pharmaceutical companies over the world;
- Enhance industrial commercial-scale manufacturing capabilities and quality management; and
- Attract, train and retain high-caliber talent.

RESEARCH AND DEVELOPMENT

Research and development is a fundamental pillar of our business and will continue to be critical to our future growth and our ability to remain competitive in the global markets of different fields. As of September 30, 2024, our broader in-house R&D team, which comprised drug discovery and preclinical development, medical and clinical development, CMC, quality management, and regulatory affairs personnel, consisted of an aggregate of 223 personnel, accounting for approximately 71.7% of our total workforce. In 2023 and the nine months ended September 30, 2023 and 2024, we incurred research and development expenses of RMB132.5 million, RMB95.9 million and RMB183.7 million, respectively. Our research and development expenses attributable to our Core Products were RMB79.9 million, RMB56.1 million and RMB98.8 million in 2023 and the nine months ended September 30, 2023 and 2024, respectively, accounting for 44.4%, 43.0% and 36.9% of our total operating expenses in the same periods, respectively.

Our in-house R&D capabilities revolve around three core technology platforms: drug design platform, chassis cell engineering platform, and comprehensive bioprocessing platform, which in turn serve as the foundation for our continued drug innovation and underpin our capabilities in transformative recombinant protein drugs. These platforms are complemented by AI-driven protein drug design capabilities, which we have been implementing for over two years with demonstrable success in protein mutation and restructuring. For details regarding our technology platforms, please see "Business – Our Platforms."

By integrating rigorous scientific evaluation, independent literature analysis, and market intelligence, we carefully assess potential projects based on their scientific rationale, clinical feasibility, commercial viability, and strategic fit with our existing product pipeline. This disciplined approach ensures that we focus on projects with the highest potential to address significant unmet medical needs while maintaining a balanced and diversified portfolio that mitigates risks associated with clinical and regulatory development. By continuously refining our selection criteria to incorporate emerging trends in science and medicine, we have built a

robust portfolio of candidates targeting a broad range of therapeutic areas, enabling us to deliver transformative treatments while maintaining operational efficiency, cost-effectiveness, and effective risk management. For more details, please see "Business – Research and Development."

COLLABORATION AGREEMENT

License and Commercialization Agreement with Group A

In September 2024, we entered into a license and commercialization agreement with Group A, a global healthcare company with a strategy to improve the health of women throughout their lives and an Independent Third Party, to develop, manufacture and commercialize SJ02 for the fertility treatment to stimulate the development of eggs in the ovaries in humans (the "**Field**") in China.

Pursuant to this agreement, we granted Group A an exclusive, royalty-bearing and sublicensable license, under certain patents and know-how controlled by us, to develop, manufacture and commercialize SJ02 in the Field in China, including to (i) obtain the marketing authorization of SJ02 by way of the MA Transfer, (ii) develop SJ02 for the purpose of maintaining the marketing authorization after the MA Transfer (as defined below), and (iii) manufacture, have manufactured in China and commercialize SJ02, subject to the terms and conditions in this agreement. Notwithstanding the exclusive nature of the license, we retain the right to manufacture or have manufactured SJ02 in China, solely for or in support of its development, manufacture and commercialization outside China. We also granted Group A a right of first negotiation to develop, manufacture or commercialize any pharmaceutical or biological product (other than SJ02) to be exploited by us for fertility treatments in humans in China. For further details, please see "Business – Collaboration Agreement – License and Commercialization Agreement with Group A."

Collaboration Agreement with Qyuns

In August 2024, we entered into a collaboration agreement with Qyuns Therapeutics Co., Ltd. (江蘇荃信生物醫藥股份有限公司, HKEX: 2509) ("**Qyuns**"), for the joint development of innovative SC formulations of original biologic products selected by Qyuns owned, being developed, or that will be developed by it in combination with our recombinant human hyaluronidase. Qyuns, an Independent Third Party to us, is a leading biotechnology company exclusively focused on biologic therapies for autoimmune and allergic diseases. Pursuant to this agreement, Qyuns will be the marketing authorization holder for the SC formulations developed under this agreement and enjoy exclusive rights to development, manufacturing and commercialization thereof with bearing all related costs. We agreed to supply recombinant human hyaluronidase for product development, provide necessary technical support, and assist in regulatory filings. For further details, please see "Business – Collaboration Agreement – Collaboration Agreement with Qyuns."

Collaboration Agreement with Sumgen

In March 2022, we entered into a collaboration agreement with Hangzhou Sumgen Biotech Co., Ltd. (杭州尚健生物技術有限公司) ("**Sumgen**"), for the joint development of SC formulations of an anti-CD38 mAb in combination with our recombinant human hyaluronidase.

Sumgen, an Independent Third Party to us, is a leading biotechnology company dedicated to advancing scientific innovation in the field of antibody-based therapeutics. Pursuant to this agreement, Sumgen will be the marketing authorization holder and take the lead in the development, regulatory filings, manufacturing and commercialization of the SC formulations developed under this agreement. We agreed to supply recombinant human hyaluronidase for product development, provide necessary technical support, and assist in regulatory filings. For further details, please see "Business – Collaboration Agreement – Collaboration Agreement with Sumgen."

RELATIONSHIP WITH CROs AND CDMOs

In alignment with industry standards, we engage contract research organizations (CROs) to conduct and support our preclinical studies and clinical trials under our close supervision and overall management. We have also collaborated with a third-party industry-recognized contract development and manufacturing organization (CDMO) outside the PRC for the potential preparation of overseas supply in the future. During the Track Record Period and up to the Latest Practicable Date, all the CROs and CDMO that we collaborate with were Independent Third Parties. For further details, please see "Business – Research and Development – Collaboration with CROs" and "Business – Manufacturing – Manufacturing Facilities."

INTELLECTUAL PROPERTY

We have a global portfolio of patents to protect our drug candidates and technologies. As of the Latest Practicable Date, we had (i) 16 issued patents in the PRC and (ii) 66 pending patent applications, consisting of 34 in the PRC, 31 in other jurisdictions including the U.S., Europe, Japan, South Korea, Hong Kong and Taiwan, and one under the Patent Cooperation Treaty ("**PCT**"). As of the Latest Practicable Date, with respect to our three Core Products, KJ017, SJ02, and KJ103, we had seven issued patents in the PRC, and also 12 pending patent applications, including seven in the PRC, and five in other jurisdictions. For further details, please see "Business – Intellectual Property."

MANUFACTURING

We have established our own cGMP-compliant manufacturing facilities in Shanghai, with a total site area of approximately 63,000 sq.m., which meets both clinical and commercial production demands for our drug candidates, including KJ017, SJ02, KJ103, SJ04, BJ007, KJ015 and KJ101. We are one of the few domestic companies that possess commercial-scale production lines for mammalian engineered cells (CHO), yeast cells, and *E. coli* fermentation. As of the Latest Practicable Date, we maintained a reactor volume of up to 5,100L and an annual production capacity of approximately 2 million formulations. In December 2022, our Company received Drug Production License from Shanghai Medical Products Administration (Type A) for the production of KJ017. In May 2023, our Company received Drug Production License (Type C) from Shanghai Medical Products Administration for the production of SJ02 at our established facilities in Shanghai. In January 2024, Suzhou Centergene, our wholly-owned subsidiary, received Drug Production License (Type B) from Jiangsu Medical Products Administration for SJ02 production at the same facilities.

To further upgrade our pilot- and commercial-scale manufacturing capabilities, we are constructing our second cGMP-compliant facilities in Shanghai, with a site area of approximately 37,000 sq.m. This expansion is strategically designed to support the research, pilot production, and commercial production of our recombinant protein drugs, particularly KJ101 and BJ044. Upon completion and operation of such new manufacturing facilities, we anticipate that total reactor volume will be elevated to approximately 26,100L and our annual production capacity will reach approximately 22.5 million formulations. For further details, please see "Business – Manufacturing."

OUR CUSTOMERS AND SUPPLIERS

Customers

During the Track Record Period, our revenue was derived from (i) sales of materials, including recombinant human hyaluronidase as a pharmaceutical excipient and antibodies, and (ii) provision of technical services, mainly representing certain service fees, milestone payments, or other considerations we received under respective license and collaboration agreements with our business partners. We had only four customers in 2023 and all of our revenue in 2023 were generated from these four customers. Revenue generated from our five largest customers for the nine months ended September 30, 2024 were RMB4.3 million, representing 97.5% of our total revenue for the same periods. Revenue generated from our single largest customer for the year ended December 31, 2023 and the nine months ended September 30, 2024 were RMB2.8 million and RMB2.8 million, respectively, representing 40.9% and 63.7% of our total revenue for the same periods. All of our five largest customers during the Track Record Period were Independent Third Parties. For further details, please see "Business – Customers."

Suppliers

During the Track Record Period, our suppliers primarily consisted of (i) construction service providers for our manufacturing facilities, (ii) suppliers of the raw materials and equipment for our drug development, (iii) a CDMO outside the PRC, who provides third party contracting services for our future large-scale supply to overseas customers and (iv) CROs engaged for our drug development. Purchases from our five largest suppliers for the year ended December 31, 2023 and the nine months ended September 30, 2024 were RMB123.2 million and RMB63.7 million, respectively, representing 48.0% and 50.1% of our total purchases for the same periods, respectively. Purchases from our single largest supplier for the year ended December 31, 2023 and the nine months ended September 30, 2024 were RMB72.9 million and RMB42.2 million, respectively, representing 28.4% and 33.2% of our purchases for the same periods, respectively. We believe that we maintain strong and stable relationships with our major suppliers. All of our five largest suppliers during the Track Record Period were Independent Third Parties. For further details, please see "Business – Suppliers and Raw Materials – Suppliers."

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

This summary historical data of financial information set forth below have been derived from, and should be read in conjunction with our consolidated financial statements, including the accompanying notes, set forth in the Accountants' Report set out in Appendix I to this document, as well as the information set forth in the section headed "Financial Information." Our historical financial information was prepared in accordance with IFRSs.

Summary Data of Consolidated Statements of Profit or Loss

The following table sets forth summary data of our consolidated statements of profit or loss and other comprehensive income for the periods indicated:

	For the Year Ended December 31,	For the Nine Months Ended September 30,	
	2023	2023	2024
	(RMB in thousands)		
		(unaudited)	
Revenue	**6,930**	**5,043**	**4,441**
Cost of sales	(149)	(149)	(634)
Gross profit	**6,781**	**4,894**	**3,807**
Other income and gains	17,597	16,267	4,132
Research and development expenses	(132,545)	(95,899)	(183,660)
Business development expenses	(1,227)	(629)	(5,610)
Administrative expenses	(46,351)	(33,887)	(78,051)
Finance costs	(3,655)	(2,888)	(3,217)
Other expenses	(81)	(81)	(100)
Share of loss of an associate	(915)	(760)	(488)
Loss before tax	**(160,396)**	**(112,983)**	**(263,187)**
Income tax credit/(expense)	1	(24)	23
Loss and total comprehensive loss for the year/period	**(160,395)**	**(113,007)**	**(263,164)**

Non-IFRS Measure

To supplement our consolidated statements of profit or loss and other comprehensive income which are presented in accordance with IFRSs, we also use adjusted loss as a non-IFRS measure, which is not required by, or presented in accordance with, IFRSs.

We define adjusted loss (non-IFRS measure) as loss for the year/period adjusted by adding back share-based payments, which represent expenses arising from our grant of share incentives to eligible individuals. The use of the non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for, or superior to, analysis of our results of operations or financial condition as reported under IFRSs. In addition, the non-IFRS financial measure may be defined differently from similar terms used by other companies and therefore may not be comparable to similar measures presented by other companies.

The following table reconciles our adjusted loss (non-IFRS measure) for the year/period presented to the most directly comparable financial measure calculated and presented in accordance with IFRSs, which is loss for the year/period:

	For the Year Ended December 31,	For the Nine Months Ended September 30,	
	2023	2023	2024
		(RMB in thousands)	
		(unaudited)	
Loss for the year/period	**(160,395)**	**(113,007)**	**(263,164)**
Add:			
Share-based payments	–	–	113,193
Adjusted loss (non-IFRS measure) for the year/period	**(160,395)**	**(113,007)**	**(149,971)**

In 2023 and the nine months ended September 30, 2023 and 2024, we recorded revenue of RMB6.9 million, RMB5.0 million and RMB4.4 million, respectively, which was derived from our sales of materials and provision of technical services. We currently have no products approved for commercial sale and were loss-making during the Track Record Period. In 2023 and the nine months ended September 30, 2023 and 2024, we incurred net losses of RMB160.4 million, RMB113.0 million and RMB263.2 million, respectively. Substantially all of our net losses resulted from research and development expenses and administrative expenses.

The increase of our net losses from the nine months ended September 30, 2023 to the corresponding period in 2024 was primarily due to (i) an increase of RMB87.8 million in research and development expenses, mainly attributable to (a) an increase of RMB69.2 million in share-based payments, arising from our grant of share incentives to research and development personnel in the nine months ended September 30, 2024; and (b) an increase of RMB12.2 million in staff costs, resulting from the expansion of our research and development team; and (ii) an increase of RMB44.2 million in administrative expenses, mainly attributable to an increase of RMB40.1 million in share-based payments, arising from our grant of share incentives to management and administrative personnel in the nine months ended September 30, 2024. For a detailed discussion of the fluctuation of our net losses during the Track Record Period, see "Financial Information – Description of Selected Components of Consolidated Statements of Profit or Loss and Other Comprehensive Income" in this document.

Summary Data from Consolidated Statements of Financial Position

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

	As of December 31,	As of September 30,
	2023	2024
	(RMB in thousands)	
		(unaudited)
Total non-current assets	607,735	649,091
Total current assets	366,145	603,369
Total current liabilities	146,821	162,342
Net current assets	219,324	441,027
Total assets less current liabilities	827,059	1,090,118
Total non-current liabilities	77,933	115,263
Net assets	749,126	974,855

Our net current assets increased from RMB219.3 million as of December 31, 2023 to RMB441.0 million as of September 30, 2024, primarily attributable to (i) an increase of RMB150.3 million in cash and cash equivalents, mainly due to the cash inflows from our Series C Financing, and (ii) an increase of RMB80.1 million in restricted deposits; partially offset by an increase of RMB33.5 million in current portion of interest-bearing bank borrowings.

Our net assets increased from RMB749.1 million as of December 31, 2023 to RMB974.9 million as of September 30, 2024, attribute to (i) capital injection of RMB375.7 million in connection with Series C Financing, and (ii) equity-settled share-based payment expense of RMB113.2 million arising from the implementation of the [**REDACTED**] Share Incentive Plans; offset by our loss and total comprehensive loss for the period of RMB263.2 million.

For details of our financial position, see "Financial Information – Discussion of Certain Selected Items from the Consolidated Statements of Financial Position" in this document.

Summary Data from Consolidated Statements of Cash Flows

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

	For the Year Ended December 31,	For the Nine Months Ended September 30,	
	2023	2023	2024
	(RMB in thousands)		
		(unaudited)	
Operating cash flows before movements in working capital	(144,230)	(103,533)	(124,796)
Changes in working capital	(3,879)	(6,085)	(88,863)
Interest received	7,896	6,437	2,668
Net cash used in operating activities	(140,213)	(103,181)	(210,991)
Net cash used in investing activities	(136,365)	(116,230)	(78,071)
Net cash generated from financing activities	122,933	114,231	439,430
Net (decrease)/increase in cash and cash equivalents	(153,645)	(105,180)	150,368
Cash and cash equivalents at beginning of year/period	472,347	472,347	321,671
Effect of foreign exchange rate changes, net	2,969	3,827	(22)
Cash and cash equivalents at end of year/period	321,671	370,994	472,017

For details of our cash flows, see "Financial Information – Liquidity and Capital Resources – Cash Flows."

Our primary use of cash during the Track Record Period was to fund our research and development activities. We recorded net cash used in operating activities of RMB140.2 million, RMB103.2 million and RMB211.0 million in 2023 and the nine months ended September 30, 2023 and 2024, respectively. During the Track Record Period, we primarily funded our working capital requirements through equity and debt financings. Our management closely monitors use of cash and cash equivalents and strives to maintain a healthy liquidity for our operations. Going forward, we expect our liquidity requirements will be satisfied by a combination of existing cash and cash equivalents, bank loans, [**REDACTED**] from the [**REDACTED**], considerations received under respective license and collaboration agreements, as well as revenue generated from sales of our successfully commercialized drugs. With the continuing expansion of our business, we may require further funding through public or private offerings, debt financing, license and collaboration arrangements, or other sources.

Our Directors are of the opinion that, taking into account the financial resources available to us, including cash and cash equivalents, unutilized bank facilities and the estimated [**REDACTED**] from the [**REDACTED**], and considering our cash burn rate, we have available sufficient working capital to cover at least 125% of our costs, including research and development expenses, administrative expenses, business development expenses and other operating costs, for at least the next 12 months from the date of this document.

Our cash burn rate refers to the average monthly amount of net cash used in operating activities, interest paid, capital expenditures and lease payments. We had cash and cash equivalents of RMB472.0 million as of September 30, 2024. Assuming an [**REDACTED**] of HK$[**REDACTED**] per H Share, being the low end of the [**REDACTED**], we estimate that we will receive [**REDACTED**] of approximately HK$[**REDACTED**] million in the [**REDACTED**]. Assuming an average cash burn rate going forward of 1.3 times the level during the Track Record Period, we estimate that our cash and cash equivalents as of September 30, 2024 will be able to maintain our financial viability for [**REDACTED**] months, taking into account the estimated [**REDACTED**] from the [**REDACTED**]. We will continue to monitor our cash flows from operations closely and expect to raise our next round of financing no earlier than six months after the completion of the [**REDACTED**].

For more information related to our working capital sufficiency, see "Financial Information – Working Capital Confirmation."

Key Financial Ratios

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

	As of December 31, 2023	As of September 30, 2024
Current ratio[(1)]	2.5	3.7

Note:

(1) Current ratio is calculated as current assets divided by current liabilities as of the end of the year/period.

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

DIVIDENDS

We did not declare or pay any dividend during the Track Record Period. We currently intend to retain all available funds and earnings, if any, to fund the development and expansion of our business and we do not anticipate paying any cash dividends in the foreseeable future. [**REDACTED**] should not purchase our ordinary shares with the expectation of receiving cash dividends. Any future determination to pay dividends will be made at the discretion of our Directors and may be based on a number of factors, including our future operations and

earnings, capital requirements and surplus, general financial condition, contractual restrictions, and other factors that our Directors may deem relevant. Regulations in the PRC currently permit payment of dividends of a PRC company only out of accumulated distributable after-tax profits less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make, as determined in accordance with its articles of association and the accounting standards and regulations in China. As a result, we may not have sufficient or any distributable profits to make dividend contributions to our Shareholders, even if we become profitable.

RISK FACTORS

Our business and the [**REDACTED**] involve certain risks including those set out in the section headed "Risk Factors" in this document. As different [**REDACTED**] may have different interpretations and criteria when determining the significance of a risk, you should read the "Risk Factors" section in its entirety before you decide to [**REDACTED**] in our [**REDACTED**]. Some of the major risks that we face include:

- We depend substantially on the success of our drug candidates. If we are unable to successfully complete clinical development, obtain regulatory approvals or achieve commercialization for our drug candidates, or if we experience significant delays or cost overruns in doing any of the foregoing, our business and prospects could be materially and adversely affected.

- We face intense competition and rapid technological change and the possibility that our competitors may develop therapies that are similar, more advanced, or more effective than ours, which may adversely affect our financial condition and our ability to successfully commercialize our drug candidates.

- Clinical development involves a lengthy and expensive process with an uncertain outcome, and results of preclinical studies and early phases of clinical trials may not be predictive of future trial results.

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

- We may not be able to discover, identify or develop new drug candidates, or to expand the therapeutic opportunities for our drug candidates.

- We have submitted NDAs for several of our drug candidates. If we are not able to obtain, or experience delays in obtaining required regulatory approvals, we will not be able to commercialize our drug candidates, and our ability to generate revenue will be materially impaired.

- We have no experience in the commercialization of drugs. If we are unable to build and manage sales network, or maintain sufficient sales and marketing capabilities, either by ourselves or through third parties, we may not be able to successfully create or increase market awareness of our products or sell our products, which will materially affect our ability to generate sales revenue.

- We have entered into license and collaboration agreements with our partners, and may form or seek additional collaborations or strategic alliances or enter into additional licensing arrangements in the future. We may not realize any or all benefits of such alliances or licensing arrangements, and disputes may arise between us and our collaboration partners.

- Any delays in commencing and completing construction of, and receiving regulatory approvals for our manufacturing facilities, or any damage to, destruction of, or interruption of production at such facilities, could reduce or restrict our production capacity or our ability to develop or sell products, which could have a material and adverse effect on our business, financial condition and results of operations.

- We have incurred net losses since inception. We anticipate that we will continue to incur net losses for the foreseeable future and may not be able to generate sufficient revenue to achieve or maintain profitability. Potential [**REDACTED**] are at risk of losing substantially all of their [**REDACTED**] in our H Shares.

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, the Concert Parties, namely Dr. Liu, Ms. Wang and Mr. Tan, were collectively interested in approximately 45.91% of our total issued share capital, comprising: (i) 21.21% of our total issued share capital directly held by Dr. Liu; (ii) 11.69% of our total issued share capital controlled by Dr. Liu indirectly through the Share Incentive Platforms (i.e., Shanghai Luoxu, Ningbo Hongsheng and Shanghai Luojun), of which the executive partner is Dr. Liu; (iii) 7.81% of our total issued share capital directly held by Ms. Wang; and (iv) 5.21% of our total issued share capital directly held by Mr. Tan. Therefore, the Concert Parties, Shanghai Luoxu, Ningbo Hongsheng and Shanghai Luojun are considered as a group of Controlling Shareholders of our Company, in aggregate holding approximately [**REDACTED**]% of our total issued share capital immediately upon completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised). For details, see "Relationship with the Controlling Shareholders", "History, Development and Corporate Structure – Acting In Concert Agreement" and "Substantial Shareholders."

OUR [REDACTED] INVESTORS

Since its establishment, our Company has undertaken a series of capital increases and equity financings to raise funds for the development of our business and to bring in new shareholders. As of the Latest Practicable Date, we raised a total of approximately RMB1,530.60 million from the [**REDACTED**] Investments and 60% of the [**REDACTED**] from the [**REDACTED**] Investments have been utilized. Our [**REDACTED**] Investors will be subject to lock-up arrangements at the time of the [**REDACTED**] pursuant to the PRC Company Law. Generally, under these lock-up arrangements, each [**REDACTED**] Investor will not, at any time during the period commencing on the [**REDACTED**] and ending on a date which is 12 months from the [**REDACTED**], offer, pledge, sell, transfer or otherwise dispose of their Shares. For details, see "History, Development and Corporate Structure – [**REDACTED**] Investments – Principal Terms of the [**REDACTED**] Investments." Our [**REDACTED**] Investors consist of private equity funds, private limited liabilities companies and public companies, among which some have a specific focus on the healthcare industry. Center Laboratories, Fangyuan Capital and Findowin Capital are our Sophisticated Investors pursuant to Chapter 2.3 of the Guide for New Listing Applicants, in aggregate holding approximately 24.43% of the total issued share capital of our Company as of the Latest Practicable Date. For details, see "History, Development and Corporate Structure – [**REDACTED**] Investments – Information about Our [**REDACTED**] Investors."

[**REDACTED**]

[**REDACTED**]

[**REDACTED**] to be borne by us are estimated to be approximately HK$[**REDACTED**] million (including [**REDACTED**], assuming an [**REDACTED**] of HK$[**REDACTED**] per H Share, being the mid-point of the [**REDACTED**] of HK$[**REDACTED**] to HK$[**REDACTED**] per H Share), which represent [**REDACTED**]% of the gross [**REDACTED**] from the [**REDACTED**], assuming no H Shares are issued pursuant to the [**REDACTED**]. The above [**REDACTED**] are comprised of (i) [**REDACTED**]-related expenses of HK$[**REDACTED**] million, and (ii) non-[**REDACTED**]-related expenses of HK$[**REDACTED**] million, including (a) the legal advisors and the reporting accountants expenses of HK$[**REDACTED**] million, and (b) other fees and expenses of HK$[**REDACTED**] million. During the Track Record Period, we did not incur [**REDACTED**] in connection with the proposed [**REDACTED**]. We expect to incur [**REDACTED**] of approximately HK$[**REDACTED**] million after the Track Record Period, approximately HK$[**REDACTED**] million of which is expected to be charged to our consolidated statements of profit or loss, and approximately HK$[**REDACTED**] million of which is attributable to the [**REDACTED**] of Shares and will be deducted from equity upon [**REDACTED**]. The [**REDACTED**] above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

FUTURE PLANS AND USE OF [REDACTED]

We estimate that we will receive net [**REDACTED**] from the [**REDACTED**] of approximately HK$[**REDACTED**] million, after deducting [**REDACTED**], fees and other estimated expenses paid and payable by us in connection with the [**REDACTED**], and assuming that the [**REDACTED**] is not exercised and an [**REDACTED**] of HK$[**REDACTED**] per H Share, being the mid-point of the [**REDACTED**] of HK$[**REDACTED**] to HK$[**REDACTED**] per H Share. We currently intend to use the net [**REDACTED**] from the [**REDACTED**] for the following purposes, subject to changes in light of our evolving business needs and changing market conditions:

- Approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be allocated to the research and development and commercialization of our Core Products, including KJ017, KJ103 and SJ02, of which:

  - Approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be used for the planned clinical trials and preparation for registration filings of KJ017 in Europe and certain other jurisdictions;

  - Approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be used for the ongoing and planned clinical trials, other research and development activities, and preparation for registration filings of KJ103 in China, the U.S. and certain other jurisdictions;

  - Approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be used for the planned multicenter clinical trials and preparation for registration filings of SJ02 in Europe and certain other jurisdictions; and

  - Approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be used for the anticipated commercialization of our Core Products, including KJ017, KJ103 and SJ02;

- Approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be allocated to the advancement of our other existing pipeline assets and preparation for any related registration filings;

- Approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be allocated to the continued optimization of our proprietary synthetic biology technology platforms, as well as exploration and development of new drug candidates;

- Approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be used to enhance and scale up our manufacturing capabilities;

- Approximately [**REDACTED**]% or HK$[**REDACTED**] million, will be used for working capital and general corporate purposes.

For more details, please see "Future Plans and Use of [**REDACTED**]."

RECENT DEVELOPMENTS

Since the end of the Track Record Period, we have been consistently advancing our pipeline and developing our business. In particular, with respect to our Core Product KJ103, we received the BTD from the NMPA as a potential desensitization therapy in kidney transplantation in November 2024. We also initiated a Phase II trial of KJ103 in anti-GBM disease in China in October 2024.

We expect that we will continue to record net losses for the year ending in December 31, 2025, primarily because (i) we expect to incur significant research and development expenses as we continue to advance and expand our pipeline and enhance our proprietary technology platforms; and (ii) we expect to incur [**REDACTED**] in connection with our proposed [**REDACTED**].

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, there has been no material adverse change in our financial or trading position or prospects since September 30, 2024 and up to the date of this document and there is no event since September 30, 2024 which would materially affect the information shown in our consolidated financial statements included in the Accountants' Report set out in Appendix I to this document.

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

"Accountants' Report"	the accountants' report of our Company, the text of which is set out in Appendix I to this document
"affiliate(s)"	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AFRC"	Accounting and Financial Reporting Council of Hong Kong
"AIC Agreement"	an acting-in-concert agreement dated March 10, 2021, entered into by and amongst Dr. Liu, Ms. Wang and Mr. Tan, as further described in "History, Development and Corporate Structure — Acting In Concert Agreement"
"Articles of Association" or "Articles"	the articles of association of our Company adopted by special resolution on January 21, 2025 with effect from the [**REDACTED**], as amended, supplemented or otherwise modified from time to time, a summary of which is set out in Appendix VI to this document
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of our Board
"AVISTA"	AVISTA Valuation Advisory Limited, an independent property valuer
"Board" or "Board of Directors"	the board of Directors of our Company
"Business Day"	a day on which banks in Hong Kong are generally open for normal business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong

[**REDACTED**]

"Center Lab"	a limited liability company incorporated in Hong Kong and is wholly owned by Center Laboratories, one of our Substantial Shareholders
"Center Laboratories"	Center Laboratories, Inc. (晟德大藥廠股份有限公司), a joint stock limited liability company incorporated in Taiwan in 1959 (TWO: 4123)
"China" or "mainland China" or "PRC"	the People's Republic of China and for the purpose of this document only, unless the context otherwise requires, excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"close associate(s)"	has the meaning ascribed to it under the Listing Rules
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	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
"Companies Ordinance"	Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company," "our Company" or "the Company"	Shanghai Bao Pharmaceuticals Co., Ltd. (上海寶濟藥業股份有限公司), a joint stock company incorporated in the PRC with limited liability on July 26, 2023, or, where the context requires (as the case may be), its predecessor, Shanghai Bao Pharmaceuticals Co., Ltd. (上海寶濟藥業有限公司), a limited liability company established under the laws of the PRC on December 16, 2019
"Compliance Adviser"	Rainbow Capital (HK) Limited

"Concert Party(ies)"	Dr. Liu, Ms. Wang and Mr. Tan, the details of which are set out in "History, Development and Corporate Structure — Acting In Concert Agreement"
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Dr. Liu, Ms. Wang, Mr. Tan and the Share Incentive Platforms, further details of which are set out in "Relationship with the Controlling Shareholders"
"core connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Corporate Governance Code"	Corporate Governance Code set out in Appendix C1 to the Listing Rules
"CSDC"	China Securities Depositary and Clearing Corporation Limited (中國證券登記結算有限責任公司)
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s)" or "our Director(s)"	the director(s) of our Company
"Dr. Liu"	Dr. Liu Yanjun (劉彥君), the co-founder of the Group, an executive Director, chairman of the Board and one of our Controlling Shareholders
"EIT"	PRC enterprise income tax
"EIT Law"	Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法》), as amended, supplemented or otherwise modified from time to time

[**REDACTED**]

"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the Government of Hong Kong
	[**REDACTED**]
"Frost & Sullivan" or "Industry Consultant"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., our industry consultant, an independent market research and consulting company
	[**REDACTED**]
"Group," "our Group," "we" or "us"	our Company and our subsidiaries from time to time, or any one of them as the context may require or, where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries, or any one of them as the context may require, were or was engaged in and which were subsequently assumed by it
"Guide for New Listing Applicants"	the Guide for New Listing Applicants issued by the Stock Exchange, as amended, supplemented or otherwise modified from time to time
"H Share(s)"	ordinary share(s) in the share capital of our Company, with a nominal value of RMB0.20 each, which will be [**REDACTED**] in Hong Kong dollars and [**REDACTED**] on the Stock Exchange
	[**REDACTED**]
"Hainan Baoji"	Hainan Baoji Biotechnology Co., Ltd. (海南寶濟生物科技有限公司), a limited liability company established in the PRC on February 8, 2022, one of our subsidiaries

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

[**REDACTED**]

"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC

[**REDACTED**]

[**REDACTED**]

"Independent Third Party(ies)"	entity(ies) or person(s) which, to the best of our Directors' knowledge, information and belief having made all reasonable enquiries, is/are not connected person(s) of our Company within the meaning of the Listing Rules

[**REDACTED**]

[**REDACTED**]

"Joint Sponsors"	the joint sponsors as named in "Directors, Supervisors and Parties Involved in the [**REDACTED**]"
"Latest Practicable Date"	January 14, 2025, being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication

[**REDACTED**]

"Listing Committee"	the listing committee of the Stock Exchange

[**REDACTED**]

"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time

"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
"MOF"	Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM" or "Ministry of Commerce"	the Ministry of Commerce of the PRC (中華人民共和國商務部) (formerly known as the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外經濟貿易部))
"Mr. Tan"	Mr. Tan Jingwei (譚靖偉), an executive Director, director of internal control of the Company and one of the Controlling Shareholders
"Ms. Wang"	Ms. Wang Zheng (王徵), the co-founder of the Group, an executive Director and Chief Executive Officer of the Company and one of the Controlling Shareholders
"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)
"Ningbo Hongsheng"	Ningbo Hongsheng Enterprise Management Partnership (Limited Partnership) (寧波鴻晟企業管理合夥企業(有限合夥)), a limited liability partnership established in the PRC on December 8, 2020, one of our Share Incentive Platforms
"Nomination Committee"	the nomination committee of our Board

[**REDACTED**]

[**REDACTED**]

"PBOC"	People's Bank of China (中國人民銀行), the central bank of the PRC
"PRC Company Law"	Company Law of the PRC (《中華人民共和國公司法》), as amended, supplemented or otherwise modified from time to time
"PRC Government" or "State"	the central government of the PRC, including all governmental subdivisions (including principal, municipal and other regional or local government entities) and instrumentalities
"PRC Legal Advisor"	Beijing DeHeng Law Offices, our legal advisor as to PRC law
"[**REDACTED**] Investment(s)"	the [**REDACTED**] investment(s) in our Company undertaken by the [**REDACTED**] Investors, the details of which are set out in "History, Development and Corporate Structure"
"[**REDACTED**] Investor(s)"	the investor(s) making investments in our Group prior to this [**REDACTED**] as set out in "History, Development and Corporate Structure — [**REDACTED**] Investments"

"[**REDACTED**] Share Incentive Plans"	the [**REDACTED**] share incentive plans of our Company adopted on August 16, 2023, a summary of the principal terms of which is set forth in "Appendix VII — Statutory and General Information — C. Further Information about the Directors, Supervisors, Senior Management and Substantial Shareholders — 5. [**REDACTED**] Share Incentive Plans"

[**REDACTED**]

"document"	this document being issued in connection with the [**REDACTED**]
"Regulation S"	Regulation S under the U.S. Securities Act
"Remuneration Committee"	the remuneration committee of our Board
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAMR"	State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
"SAT"	State Administration of Taxation of the PRC (中華人民共和國國家税務總局)
"Series A Financing"	one of the [**REDACTED**] Investments in our Company, the details of which are set out in "History, Development and Corporate Structure — Establishment and Major Shareholding Changes of our Company — (d) Equity Transfers in 2021 and Series A Financing"

"Series B Financing"	one of the [**REDACTED**] Investments in our Company, the details of which are set out in "History, Development and Corporate Structure — Establishment and Major Shareholding Changes of our Company — (f) Series B Financing"
"Series C Financing"	one of the [**REDACTED**] Investments in our Company, the details of which are set out in "History, Development and Corporate Structure — Establishment and Major Shareholding Changes of our Company — (j) Series C Financing"
"Series C+ Financing"	one of the [**REDACTED**] Investments in our Company, the details of which are set out in "History, Development and Corporate Structure — Establishment and Major Shareholding Changes of our Company — (k) Series C+ Financing"
"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, supplemented or otherwise modified from time to time
"Shanghai Luojun"	Shanghai Luojun Management Consulting Partnership (Limited Partnership) (上海羅君管理諮詢合夥企業(有限合夥)), a limited liability partnership established in the PRC on August 9, 2023, one of our Share Incentive Platforms
"Shanghai Luoxu"	Shanghai Luoxu Management Consulting Partnership Enterprise (Limited Partnership) (上海羅旭管理諮詢合夥企業(有限合夥)), a limited liability partnership established in the PRC on September 2, 2020, one of our Share Incentive Platforms
"Shanghai-Hong Kong Stock Connect"	a securities trading and clearing links program developed by the Stock Exchange, Shanghai Stock Exchange, HKSCC and CSDC for mutual market access between Hong Kong and Shanghai

"Share(s)"	ordinary share(s) in the share capital of our Company with a nominal value of RMB0.20 each upon the completion of the Share Subdivision, comprising Unlisted Share(s) and H Share(s); before the completion of the Share Subdivision, ordinary share(s) in the share capital of our Company with a nominal value of RMB1.00 each
"Share Incentive Platforms"	Shanghai Luojun, Shanghai Luoxu and Ningbo Hongsheng, or any one of them as the context may require
"Share Subdivision"	the Share Subdivision immediately prior to the [**REDACTED**], pursuant to which each of our Share with par value of RMB1.00 will be subdivided into five Shares with par value of RMB0.20 each
"Shareholder(s)"	holder(s) of the Share(s)
"Shenzhen-Hong Kong Stock Connect"	a securities trading and clearing links program to be developed by the Stock Exchange, Shenzhen Stock Exchange, HKSCC and CSDC for mutual market access between Hong Kong and Shenzhen
"Sophisticated Investor(s)"	has the meaning ascribed to it under the Chapter 2.3 of the Guide for the New Listing Applicants
	[**REDACTED**]
"SSE"	Shanghai Stock Exchange
	[**REDACTED**]
"State Council"	State Council of the PRC (中華人民共和國國務院)
"Stock Exchange" or "HKEX"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules

"Supervisor(s)"	member(s) of our Supervisory Committee
"Supervisory Committee"	the supervisory committee of our Company
"Suzhou Centergene"	Suzhou Centergene Pharmaceuticals Co., Ltd. (蘇州晟濟藥業有限公司), a limited liability company established in the PRC on July 24, 2014, one of our subsidiaries
"Suzhou Kangju"	Suzhou Kangju Biotechnology Co., Ltd. (蘇州康聚生物科技有限公司), a limited liability company established in the PRC on August 15, 2011, one of our subsidiaries
"SZSE"	Shenzhen Stock Exchange
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Track Record Period"	the period comprising the year ended December 31, 2023 and nine months ended September 30, 2024
"treasury shares"	has the meaning ascribed to it under the Listing Rules
"Trial Measures for Overseas Listing"	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》), as amended, supplemented or otherwise modified from time to time
"TWO"	Taipei Exchange, an over-the-counter market in Taiwan
"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. dollar" or "US$"	United States dollar, the lawful currency of the United States
"U.S. persons"	U.S. persons as defined in Regulation S
"U.S. Securities Act"	United States Securities Act of 1933 and the rules and regulations promulgated thereunder, as amended, supplemented or otherwise modified from time to time

[**REDACTED**]

"Unlisted Share(s)"	ordinary share(s) issued by our Company with a nominal value of RMB0.2 each which is/are not [**REDACTED**] on any stock exchange

[**REDACTED**]

"%"	per cent

For ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including our subsidiary) have been included in this document in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail.

Certain amounts and percentage figures included in this document have been subject to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

GLOSSARY OF TECHNICAL TERMS

This glossary contains definitions of certain technical terms used in this document in connection with us and our business. These may not correspond to standard industry definitions and may not be comparable to similarly terms adopted by other companies.

"absorption kinetics"	a process describing the rate and mechanism by which a substance is absorbed into a system or organism
"acute respiratory distress syndrome" or "ARDS"	a severe lung condition causing fluid buildup in alveoli, leading to breathing difficulties and low oxygen levels in blood
"ADCs"	antibody-drug conjugates, a substance made up of a monoclonal antibody chemically linked to a cytotoxic drug
"AE(s)"	adverse event(s), any untoward medical occurrence in a patient or clinical investigation subject administered a drug or other pharmaceutical product during clinical trials. AEs do not necessarily have a causal relationship with the treatment
"antibody-mediated rejection" or "AMR"	a form of allograft rejection caused by donor-specific antibodies leading to complement activation, endothelial injury, and microvascular inflammation, compromising graft survival
"ankylosing spondylitis"	a chronic inflammatory disease primarily affecting the axial skeleton, leading to progressive spinal stiffness, sacroiliitis, and potential spinal fusion
"anti-glomerular basement membrane" or "Anti-GBM"	a rare autoimmune condition where antibodies target the glomerular basement membrane, causing rapidly progressive glomerulonephritis and, in some cases, pulmonary hemorrhage
"anti-xenograft antibodies"	antibodies that target antigens on xenogeneic tissues or organs, triggering immune responses such as complement activation, inflammation, and graft rejection, thereby posing a significant barrier to successful xenotransplantation

"antibody-mediated rejection" or "AMR"	a form of transplant rejection caused by antibodies targeting antigens on the graft, leading to complement activation, endothelial injury, inflammation, and eventual graft dysfunction or loss. It is a significant challenge in transplant immunology and requires targeted immunosuppressive therapies
"autoimmune diseases"	a group of disorders in which the immune system mistakenly attacks the body's own tissues, failing to distinguish self from non-self. This leads to inflammation, tissue damage, and impaired organ function. Examples include rheumatoid arthritis, type 1 diabetes, systemic lupus erythematosus, and multiple sclerosis. These diseases can affect specific organs or have systemic effects and often require long-term immunosuppressive or immunomodulatory treatments
"β-lactam antibiotics"	a class of broad-spectrum antibiotics characterized by the presence of a β-lactam ring in their molecular structure. They inhibit bacterial cell wall synthesis by targeting penicillin-binding proteins (PBPs), leading to cell lysis and death. β-lactam antibiotics include penicillins, cephalosporins, carbapenems, and monobactams. They are widely used to treat bacterial infections but can be inactivated by β-lactamase enzymes produced by resistant bacteria, often requiring combination with β-lactamase inhibitors
"bioequivalence"	a condition where two drug formulations show comparable bioavailability, including rate and extent of absorption, under similar conditions
"BTD"	Breakthrough Therapy Designation
"carboxyl-terminal peptide" or "CTP"	a peptide sequence added to therapy proteins to extend their half-life by reducing clearance and avoiding rapid degradation, often used in drug design
"cathepsin"	a family of proteolytic enzymes involved in protein degradation, antigen processing, and various pathological processes such as cancer and arthritis
"CAGR"	compound annual growth rate

"CDE"	the Center for Drug Evaluation of the NMPA
"CD20"	cluster of differentiation 20, a protein that is expressed on the surface of B cells, starting at the pre-B cell stage and also on mature B cells in the bone marrow and in the periphery
"CD22"	a protein found on the surface of mature B cells and to a lesser extent on some immature B cells
"CD28"	a protein expressed on T-cell that provides co-stimulatory signals required for T-cell activation and survival
"CD154"	a protein expressed on activated T cells that binds to CD40, playing a key role in immune responses and B cell activation
"ceftriaxone sodium"	a broad-spectrum, third-generation cephalosporin antibiotic used to treat bacterial infections, including respiratory, urinary, and central nervous system infections
"cGMP"	current Good Manufacturing Practice
"CHO cell"	Chinese Hamsters Ovary Cell, which is widely used in biopharmaceutical industry to produce recombinant proteins
"chondroitin sulfate"	a compound present naturally in cartilage and connective tissues, commonly used as a supplement to support joint health and treat osteoarthritis
"chymotrypsin"	a digestive enzyme produced in the pancreas that breaks down proteins in the small intestine by cleaving peptide bonds, specifically targeting aromatic amino acids like tyrosine, tryptophan, and phenylalanine
"CMC"	chemistry, manufacturing and controls, processes used in preclinical and clinical development stages to ensure that pharmaceutical and biopharmaceutical drug products are consistently effective, safe and high quality for consumers

GLOSSARY OF TECHNICAL TERMS

"coagulation factor"	a group of proteins in blood plasma responsible for blood clotting
"collagen"	a structural protein found in skin, bones, and connective tissues, providing strength and elasticity
"controlled ovarian stimulation" or "COS"	a medical procedure using hormones to stimulate the ovaries to produce multiple eggs for assisted reproduction
"corticosteroid"	a class of steroid hormones that reduce inflammation and regulate immune response and metabolism
"CRO"	contract research organization, a company that provides support to the pharmaceutical, biotechnology, and medical device industries in the form of research services outsourced on a contract basis
"cytokines"	a group of small proteins that mediate and regulate immune and inflammatory responses
"dendritic cell"	a type of immune cell that processes and presents antigens to T cells, initiating an immune response
"difficult venous access" or "DIVA"	a condition where it is challenging to locate or access veins for medical procedures like blood draws or intravenous cannulation insertion
"DLT"	dose-limiting toxicity, side effects of a drug that are serious enough to prevent an increase in dose
"DNA synthesis"	a process by which a cell replicates its DNA during cell division, involving complementary base pairing and catalyzed by DNA polymerase enzymes within the nucleus
"donor-specific antibodies" or "DSA"	antibodies produced by a transplant recipient that target the donor's organ or tissue, potentially causing rejection
"EMA"	European Medicines Agency

"ERBB"	refers to a group of receptor tyrosine kinases, including EGFR (ERBB1), HER2 (ERBB2), HER3 (ERBB3), and HER4 (ERBB4), which play critical roles in cell signaling pathways regulating cell proliferation, differentiation, migration, and survival. Dysregulation or mutations in ERBB receptors are frequently implicated in various cancers, particularly breast, lung, and colorectal cancers, often serving as therapeutic targets in oncology
"Escherichia coli" or "*E. coli*"	a gram-negative, rod-shaped bacterium commonly found in the intestines of humans and animals, with pathogenic strains causing illnesses like diarrhea, urinary tract infections, and hemolytic uremic syndrome
"extracellular matrix" or "ECM"	an intricate network of macromolecules, including proteins such as collagen, elastin, and fibronectin, as well as glycosaminoglycans, that provides structural support and biochemical signaling to surrounding cells, playing a critical role in tissue development, repair, and homeostasis
"$F(ab)_2$"	a fragment of an antibody created by enzymatic digestion with pepsin, consisting of two antigen-binding Fab regions linked by disulfide bonds, but lacking the Fc region; it retains the ability to bind antigens but cannot engage Fc receptors or activate complement, making it useful in therapeutic and diagnostic applications where Fc-mediated effects are undesirable
"factor VIII for hemophilia"	a vital blood-clotting protein, factor VIII is deficient in individuals with hemophilia A, and its replacement through recombinant or plasma-derived products is essential for preventing or controlling bleeding episodes, with newer therapies focusing on extended half-life products and gene therapy for improved management
"Fc fragment"	a portion of an antibody molecule that is generated by enzymatic digestion and consists of the constant region of the heavy chains, responsible for mediating effector functions such as binding to Fc receptors on immune cells and activating the complement system
"FDA"	U.S. Food and Drug Administration

"FSH β-chain gene"	a gene that encodes the beta subunit of follicle-stimulating hormone, a key glycoprotein involved in reproductive functions such as gametogenesis and ovarian follicle maturation
"Follicle Stimulating Hormone" or "FSH"	a glycoprotein hormone secreted by the anterior pituitary gland, essential for regulating reproductive processes like ovarian follicle development and spermatogenesis in mammals
"GCP"	Good Clinical Practice
"GFA"	Gross Floor Area
"glycosylation"	A biochemical process where a glycan attaches to a protein, a lipid, or other organic molecule, especially through the catalytic action of certain enzymes
"glomerular basement membrane" or "GBM"	a specialized extracellular matrix structure in the kidney's glomerulus that acts as a filtration barrier, preventing large molecules and cells from passing into urine
"GMP"	Good Manufacturing Practice
"gonadotropin-releasing hormone" or "GnRH"	a hormone produced by the hypothalamus that regulates the release of FSH and LH from the pituitary gland
"Guillain-Barré Syndrome" or "GBS"	a rare autoimmune disorder in which the immune system attacks peripheral nerves, causing muscle weakness, tingling, and, in severe cases, paralysis. It is often triggered by infections
"head-to-head analysis"	a direct comparison of two or more interventions, treatments, or strategies, typically in clinical trials or studies, to determine their relative efficacy, safety, or cost-effectiveness under similar conditions
"HER2"	human epidermal growth factor receptor 2
"Human Chorionic Gonadotropin" or "hCG"	a hormone produced by the placenta during pregnancy that supports the corpus luteum to maintain progesterone production, critical for sustaining the early stages of pregnancy

"human leukocyte antigen" or "HLA"	a type of proteins found on the surface of most cells in the body that play a critical role in the immune system by helping it distinguish between self and non-self, crucial for organ transplantation, immune response, and disease susceptibility
"hyaluronic acid" or "HA"	a naturally occurring polysaccharide found in connective tissues, skin, and synovial fluid, known for its ability to retain moisture, promote tissue repair, and provide lubrication in joints
"hyaluronidase"	an enzyme that breaks down hyaluronic acid in connective tissue, increasing tissue permeability and promoting the diffusion of fluids or drugs
"hyperacute rejection"	a rapid and severe immune response occurring minutes to hours after transplantation, caused by pre-existing antibodies in the recipient attacking the donor organ, leading to immediate graft failure
"IgE-mediated allergic reaction"	a type I hypersensitivity reaction triggered by the binding of allergens to immunoglobulin E (IgE) antibodies on the surface of mast cells and basophils, causing the release of histamine and other inflammatory mediators
"IgG-degrading enzyme"	an enzyme that cleaves IgG antibodies, reducing immune responses and often used by pathogens to evade host immunity
"IL-1"	a group of 11 cytokines that plays a central role in the regulation of immune and inflammatory responses to infections or sterile insults
"IL-6"	an interleukin that acts as both a pro-inflammatory cytokine and an anti-inflammatory myokine
"IL-17"	a pro-inflammatory cytokine produced primarily by Th17 cells, crucial for host defense against extracellular pathogens and involved in autoimmune inflammation
"IL-23"	a pro-inflammatory cytokine produced by antigen-presenting cells, promoting Th17 cell differentiation and survival, and playing a key role in autoimmune and inflammatory diseases

"immunogenicity"	the ability of a substance, such as an antigen or vaccine, to provoke an immune response in the body, including the activation of T cells, B cells, and the production of antibodies
"immunoglobulin G" or "IgG"	the most abundant antibody in the blood and extracellular fluid, playing a key role in long-term immunity by neutralizing pathogens, promoting phagocytosis, and activating the complement system. It is divided into four subclasses (IgG1, IgG2, IgG3, IgG4) with distinct biological functions
"immunoglobulin M" or "IgM"	one of several isotypes of antibody (also known as immunoglobulin) that are produced by vertebrates
"immunosuppressive treatment"	a therapeutic intervention that deliberately inhibits or prevents immune system responses through pharmacological agents, primarily used to prevent organ rejection in transplant recipients and manage autoimmune disorders
"IND"	Investigational New Drug
"interferon"	a group of naturally occurring proteins produced by immune cells that help regulate the body's immune response and interfere with viral replication, used therapeutically to treat various diseases including cancer and viral infections
"intravenous administration"	a method of delivering medications or fluids directly into a patient's bloodstream through a vein using a needle or catheter, allowing for rapid absorption and precise dosing control of therapeutic agents
"ischemic stroke"	a medical emergency that occurs when blood flow to the brain is blocked by a clot or narrowed artery, causing oxygen deprivation and potential death of brain tissue in the affected area
"kallikrein"	a group of serine proteases found in blood and tissues that play crucial roles in blood pressure regulation, inflammation and blood coagulation through the production of kinins

"L-asparaginase"	an enzyme used as a chemotherapy drug to treat certain blood cancers by breaking down asparagine, an amino acid that cancer cells need to survive but cannot make on their own
"MAPK"	mitogen activated protein kinase, a type of protein kinase that is specific to the amino acids serine and threonine
"MEDSAFE"	the New Zealand Medicines and Medical Devices Safety Authority
"minimum inhibitory concentration" or "MIC"	the lowest concentration of an antimicrobial agent that prevents visible growth of a microorganism after overnight incubation
"monocytes"	white blood cells that circulate in the blood and can differentiate into macrophages and dendritic cells when they enter tissues
"monoclonal antibody" or "mAb"	an antibody produced from a cell lineage made by cloning a unique white blood cell
"MTD"	maximum tolerated dose, the highest dose of a drug or treatment that does not cause unacceptable side effects
"myasthenia gravis"	an autoimmune disease causing muscle weakness and fatigue, where antibodies attack acetylcholine receptors at the neuromuscular junction, disrupting nerve-muscle communication
"NDA"	new drug application
"neutrophil elastase"	an enzyme released by neutrophils that breaks down elastin and other proteins, important in fighting pathogens but can damage tissue when overactive in inflammatory conditions
"NMPA"	National Medical Products Administration
"non-pathogenic strain"	a strain of microorganism that does not cause disease in a specific host under normal circumstances

"PD-1"	programmed death-1, an immune checkpoint receptor expressed on T cells, B cells and macrophages, acting to turn off the T cell mediated immune response as part of the process that stops a healthy immune system from attacking other pathogenic cells in the body
"peptide"	a short chain of amino acids linked by peptide bonds, shorter than proteins (typically 2-50 amino acids), that can serve various biological functions including hormones, neurotransmitters, and antimicrobial agents
"phase I clinical trial(s)"	a study in which a drug is introduced into healthy human subjects or patients with the target disease or condition and tested for safety, dosage tolerance, absorption, metabolism, distribution, excretion, and if possible, to gain an early indication of its effectiveness
"phase II clinical trial(s)"	a study in which a drug is administered to a limited patient population to identify possible adverse effects and safety risks, to preliminarily evaluate the efficacy of the product for specific targeted diseases, and to determine dosage tolerance and optimal dosage
"phase III clinical trial(s)"	a study in which a drug is administered to an expanded patient population generally at geographically dispersed clinical trial sites, in well-controlled clinical trials to generate enough data to statistically evaluate the efficacy and safety of the product for approval, to provide adequate information for the labeling of the product
"pharmacodynamics" or "PD"	the study of how drugs affect the body, including their biochemical and physiological effects, mechanisms of action, relationship between drug concentration and response, and the time course of therapeutic and adverse effects
"pharmacokinetics" or "PK"	the study of how the body handles drugs, focusing on the movement of drugs through the body including absorption, distribution, metabolism, and excretion, and how these processes affect drug concentration over time

"PI3K/Akt"	a critical intracellular signaling pathway that regulates cell survival, proliferation, growth, and metabolism through the activation of phosphatidylinositol 3-kinase (PI3K) and its downstream effector protein kinase B (Akt)
"PK-BA"	pharmacokinetics and bioavailability analysis, the study of drug absorption and distribution in the body, including measurements of how much drug reaches systemic circulation and becomes available at target sites after administration
"plasmin"	a fibrinolytic enzyme that breaks down blood clots by degrading fibrin. It is formed from the activation of plasminogen by tissue plasminogen activator or urokinase and plays a key role in preventing excessive blood clotting and maintaining vascular homeostasis
"R&D"	Research and development
"rheumatoid arthritis"	a chronic autoimmune disease that primarily affects synovial joints causing symmetric inflammation, progressive joint destruction, persistent pain and stiffness, characterized by the presence of autoantibodies like rheumatoid factor and anti-CCP antibodies in most patients
"SAE(s)"	severe adverse event(s)
"SARS-CoV-2"	a highly transmissible betacoronavirus that causes COVID-19 disease through binding of its spike protein to ACE2 receptors on human cells, leading to respiratory illness and potential systemic complications, with multiple variants emerging since its initial identification in 2019
"Streptococcus *equi subsp. Equi*"	a highly contagious gram-positive beta-hemolytic bacterium that causes strangles in horses, characterized by severe inflammation of the upper respiratory tract, abscess formation in lymph nodes, and purulent nasal discharge, transmitted through direct contact or contaminated materials

"subcutaneous delivery"	a route of drug administration where medication is injected into the subcutaneous tissue between the skin and muscle
"T cell-APC"	a critical immunological interaction between T lymphocytes and antigen-presenting cells that involves MHC molecule presentation of processed antigens to T cell receptors, leading to T cell activation, cytokine production, and initiation of adaptive immune responses
"TEAE(s)"	treatment emergent adverse events, adverse events not present prior to medical treatment, or an already present event that worsens either in intensity or frequency following the treatment
"thrombin"	a multifunctional serine protease enzyme central to blood coagulation that converts soluble fibrinogen into insoluble fibrin strands, activates multiple coagulation factors, and promotes platelet aggregation through protease-activated receptor signaling pathways
"thrombotic thrombocytopenic purpura"	a rare blood disorder characterized by widespread formation of blood clots in small vessels, low platelet count, hemolytic anemia, and reduced ADAMTS13 enzyme activity, leading to organ damage, neurological symptoms, fever, and kidney problems. Requires urgent plasma exchange treatment
"tissue plasminogen activator" or "tPA"	a highly specific fibrinolytic enzyme produced primarily by endothelial cells that converts plasminogen to active plasmin through proteolytic cleavage, leading to dissolution of fibrin-based blood clots and serving as a critical endogenous regulator of hemostasis and thrombosis
"TNF"	tumor necrosis factor, a potent proinflammatory cytokine primarily produced by activated macrophages and other immune cells that mediates acute phase reactions, induces apoptosis in tumor cells, regulates immune cell function, and plays key roles in systemic inflammation, autoimmune conditions, and host defense against pathogens

"TRAE(s)"	treatment related adverse events, TEAE determined to be related to the study medication
"trypsin"	a pancreatic serine protease that hydrolyzes peptide bonds specifically after lysine and arginine residues, playing essential roles in protein digestion within the small intestine and serving as a crucial enzyme for protein analysis in biochemical research and industrial applications
"tumor necrosis factor"	a potent proinflammatory cytokine released primarily by activated macrophages that mediates systemic inflammation, triggers fever and acute phase response, stimulates immune cell recruitment and activation, induces apoptotic cell death, and plays key roles in autoimmune diseases and cancer pathogenesis
"ulinastatin"	a glycoprotein serine protease inhibitor extracted from human urine that suppresses the activity of multiple proteolytic enzymes including trypsin, neutrophil elastase and thrombin
"xenotransplantation"	a surgical procedure involving the transplantation of living cells, tissues, or organs from one species to another, typically from pigs to humans, requiring extensive genetic modification and immunological manipulation to prevent hyperacute rejection and ensure functional compatibility between donor and recipient

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements and information that relate to our current expectations and views of future events. These forward-looking statements are contained principally in "Summary," "Risk Factors," "Industry Overview," "Business," "Financial Information" and "Future Plans and Use of [**REDACTED**]." These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed in "Risk Factors," which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

This document contains forward-looking statements and information relating to us and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, the words "aim," "anticipate," "aspire," "believe," "could," "expect," "going forward," "intend," "may," "ought to," "plan," "project," "schedule," "seek," "should," "target," "vision," "will," "would," and the negative of these words and other similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the risk factors as described in "Risk Factors" and elsewhere in this document, some of which are beyond our control and may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing us which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our operations and business prospects;
- our financial condition and performance;
- our capital expenditure plan;
- our ability to maintain good relationships with our business partners;
- future developments, trends and conditions (including economic, political and business conditions) in the industries and markets in which we operate or plan to operate;
- changes to the regulatory environment in the industries and markets in which we operate;
- the actions and developments of our competitors;

- 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;
- our ability to control or reduce costs;
- our ability to control our risks;
- our financial condition and performance, debt levels and capital needs;
- our dividend policy;
- various business opportunities that we may pursue;
- our business strategies, objectives and plans and our ability to achieve these strategies;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and the industry and markets in which we operate; and
- capital market developments.

These forward-looking statements are subject to risks, uncertainties and assumptions, some of which are beyond our control. In addition, these forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual outcomes may differ materially from the information contained in the forward-looking statements as a result of a number of factors, including, without limitation, the risk factors set out in "Risk Factors."

The forward-looking statements made in this document relate only to events or information as of the date on which the statements are made in this document. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events. You should read this document completely and with the understanding that our actual future results or performance may be materially different from what we expect.

In this document, statements of, or references to, our intentions or those of any of our Directors are made as of the date of this document. Any of these intentions may change in light of future development.

An [**REDACTED**] *in our H Shares involves significant risks. You should carefully consider all of the information in this document, including the risks and uncertainties described below, as well as our financial statements and the related notes, and the "Financial Information" section, before making an* [**REDACTED**] *in our H Shares. Particularly, we are a biotech company seeking to* [**REDACTED**] *on the Main Board of the Stock Exchange under Chapter 18A of the Listing Rules. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition and results of operations. In any such case, the* [**REDACTED**] *of our H Shares could decline, and you may lose all or part of your* [**REDACTED**] *given the nature of biotech industry.*

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

We believe there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) key risks relating to our business, business operations, intellectual property rights and financial prospects; (ii) other risks relating to our business, comprising (a) risks relating to the development of our drug candidates, (b) risks relating to the manufacturing of our drug candidates, (c) risks relating to the commercialization of our drug candidates, (d) risks relating to our reliance on third parties, (e) risks relating to our intellectual property rights, and (f) risks relating to extensive government regulation; (iii) other risks relating to our financial position and need for additional capital; (iv) other risks relating to our operations; (v) risks relating to doing business in the jurisdictions where we operate; and (vi) risks relating to the [**REDACTED**].

Additional risks and uncertainties that are presently not known to us or not expressed or implied below or that we currently deem immaterial could also harm our business, financial condition, results of operations and prospects. You should consider our business and prospects in light of the challenges we face, including the ones discussed in this section.

KEY RISKS RELATING TO OUR BUSINESS, BUSINESS OPERATIONS, INTELLECTUAL PROPERTY RIGHTS AND FINANCIAL PROSPECTS

We depend substantially on the success of our drug candidates. If we are unable to successfully complete clinical development, obtain regulatory approvals or achieve commercialization for our drug candidates, or if we experience significant delays or cost overruns in doing any of the foregoing, our business and prospects could be materially and adversely affected.

All of our drug candidates are still in development. Our ability to generate revenue and realize profitability depends on our ability to successfully complete the development of our drug candidates, obtain necessary regulatory approvals, and manufacture and commercialize our drug candidates. We have invested a significant portion of our efforts and financial resources in the development of our existing drug candidates, and we expect to continue to incur substantial and increasing expenditures for the development, manufacturing and commercialization of our drug candidates. The success of our drug candidates will depend on several factors, including but not limited to:

- successful completion of preclinical and clinical studies;
- obtaining positive results in our clinical trials demonstrating efficacy, safety and durability of effect of our drug candidates;
- receipt of regulatory approvals for planned clinical trials, future clinical trials or drug registrations, manufacturing and commercialization;
- successful identification of potential drug candidates based on our research and development methodology or program selection criteria and process;
- sufficient resources to discover or acquire additional drug candidates;
- establishing sufficient commercial manufacturing capabilities, by expanding our existing facilities, building new facilities, and collaborating with CROs and CDMOs;
- successful collaboration on the development and commercialization efforts of our drug candidates with our strategic partners;
- the performance by CROs, CDMOs or other third parties we may retain to conduct research and development, of their duties to us in a manner that complies with our protocols and applicable laws and that protects the integrity of the resulting data;
- continued acceptable safety profile of our drug candidates following regulatory approval;

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

- ensuring we do not infringe, misappropriate or otherwise violate the patents, trademarks, trade secrets or other intellectual property rights of third parties;

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

- obtaining and maintaining favorable governmental and private reimbursement from third-party payers, if any, for drugs, if and when approved; and

- competition with other drug products.

Some of our drug candidates represent a novel approach to therapeutic needs compared with more commonly used medical methods, which carries inherent development risks and could result in delays or failures in clinical development, regulatory approval or commercialization. Any modification to the protocols related to the demonstration of safety or efficacy of our drug candidates may delay the clinical program, regulatory approval and/or commercialization, and we may be required to supplement, modify, or withdraw and refile our applications for the regulatory approval.

As of the Latest Practicable Date, three of our drug candidates have progressed into late-stage trial- or NDA registration-stage in China, namely our Core Products KJ017, KJ103 and SJ02, and the rest of our drug candidates were in various phases of clinical trials and preclinical studies. If we fail to achieve drug development milestones as disclosed in this document, our business prospects could be adversely affected. Our costs will also increase if we experience delays in the development of drug candidates or in obtaining regulatory approvals, which could result in us having to delay or suspend the trial until sufficient funding is procured, or we would have to abandon developing of the drug candidate completely. Significant preclinical study or clinical trial delays also could allow our competitors to bring products to market before we do and impair our ability to successfully commercialize our drug candidates. Any of the above negative developments could have a material and adverse effect on our business, financial condition and results of operation.

We face intense competition and rapid technological change and the possibility that our competitors may develop therapies that are similar, more advanced, or more effective than ours, which may adversely affect our financial condition and our ability to successfully commercialize our drug candidates.

The biopharmaceutical industry in which we operate is highly competitive and subject to rapid and significant technological changes. While our principal focus is to develop drug candidates with the potential to become novel or highly differentiated drugs, we face competition with respect to our current drug candidates and will face competition with respect to any drug candidates that we may seek to develop or commercialize in the future. We are

developing our recombinant biologic drugs in competition with a number of well-established multinational pharmaceutical companies, biotechnology companies and research institutions worldwide that have commercialized, are in the process of commercialization, or are pursuing the development of biologic drugs for the same target indications as ours. Some of these competitive drugs and therapies are based on scientific approaches that are the same as or similar to our approach, and others are based on entirely different approaches. See "Business — Our Drug Candidates." Potential competitors also include academic institutions, government agencies and other public and private research organizations that conduct research, seek patent protection and establish collaborative arrangements for research, development, manufacturing and commercialization.

Even if successfully developed and subsequently approved by the NMPA, the FDA or other comparable regulatory authorities, our drug candidates may still face competition in various aspects, including safety and efficacy, the timing and scope of the regulatory approvals, the availability and cost of supply, sales and marketing capabilities, price and patent status. Many of our competitors have substantially greater financial, technical and other resources, such as more advanced commercial infrastructure, more drug candidates in late-stage clinical development, more seasoned research and development staff and more established marketing and manufacturing teams than us. Smaller or early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. Additional mergers and acquisitions in the biopharmaceutical industry may result in even more resources being concentrated in our competitors. Our competitors may succeed in developing competing drugs and obtaining regulatory approvals before us or achieve better acceptance in the markets in which we operate or have established a competitive position. For example, the NMPA has recently accelerated marketing approvals of drugs for life-threatening diseases, diseases without effective treatment options or rare diseases. Also, the NMPA may review and approve drugs that have gained regulatory marketing approvals in the U.S., the EU or Japan in the past ten years without requiring further clinical trials in the PRC. This may lead potential increased competition from drugs that have already obtained approvals in other jurisdictions.

Competition may further intensify as a result of advances in the commercial applicability of technologies and availability of capital for investment in the industry. Our competitors may succeed in developing, acquiring, or licensing on an exclusive basis, products that are more effective with a lower cost than our drug candidates, or achieve earlier patent protection, regulatory approvals, product commercialization and market penetration than we do. In addition, any new product that competes with an approved product must demonstrate compelling advantages in efficacy, convenience, tolerability or safety in order to overcome price competition and to be commercially successful. Furthermore, disruptive technologies and medical breakthroughs may further intensify the competition and render our drug candidates obsolete or noncompetitive. Technologies developed by our competitors may render our potential drug candidates uneconomical or obsolete, and we may not be successful in marketing our drug candidates against competitors.

Clinical development involves a lengthy and expensive process with an uncertain outcome, and results of preclinical studies and early phases of clinical trials may not be predictive of future trial results.

To obtain regulatory approval for the sales of our drug candidates, we are required to conduct extensive clinical trials to demonstrate the safety and efficacy of our drug candidates in humans. Clinical trials are expensive, difficult to design and implement, and can take years to complete, with uncertainty as to the outcomes. We have invested a significant portion of our efforts and financial resources in the development, and particularly clinical development, of our drug candidates. In 2023 and the nine months ended September 30, 2024, we incurred research and development expenses of RMB132.5 million and RMB183.7 million, respectively. Our current drug candidates and any future drug candidates are susceptible to the risks of failure inherent at any stage of drug development, including the occurrence of unexpected or unacceptable adverse events or the failure to demonstrate efficacy in clinical trials. While we believe some of our drug candidates have the potential to be innovative and differentiated globally, we cannot guarantee that we will be able to realize such potential for any of our drug candidates. Failure can occur at any time during the clinical development process.

The results of earlier studies and trials and non-head-to-head analyses of our drug candidates may not be predictive of the results of later-stage clinical trials. Drug candidates during later stages of clinical trials may fail to show the desired results in safety and efficacy despite having progressed through preclinical studies and initial clinical trials, and despite the level of scientific rigor in the design of such studies and trials and the adequacy of their execution. A number of companies in the pharmaceutical and biopharmaceutical industries have suffered significant setbacks in advanced clinical trials due to lack of efficacy or adverse safety profiles, notwithstanding promising results in earlier trials. In some instances, there can be significant variability in safety and/or efficacy results among different trials of the same drug candidate due to numerous factors, including, but not limited to, differences in individual patient conditions, including genetic differences, and other compounding factors, such as other medications or pre-existing medical conditions, patient adherence to the dosing regimen, other trial protocol elements and the rate of dropout among clinical trial participants. Furthermore, as our drug candidates are developed through preclinical and clinical trials towards approval and commercialization, it is customary that various aspects of the development programs, such as manufacturing and formulation, are altered along the way in an effort to optimize processes and results. Such changes carry the inherent risks that they may not necessarily achieve the intended objectives. Also, for non-head-to-head analyses, the results from clinical trials of one drug cannot be directly compared to those of another. Consequently, such findings may not accurately reflect the overall data.

Any disruptions, changes and delays in completing our clinical trials may increase our costs, slow down our drug candidate development and approval process, and jeopardize our ability to commence product sales and generate revenue for that drug candidate. Any of these occurrences may harm our business, financial condition and prospects significantly. We may adjust our clinical development strategy from time to time based on our evaluation of emerging data to maximize the value of our entire product portfolio. Although we believe that our

strategically planned clinical development approach is designed to optimize the clinical and commercial potential of our drug candidates, we cannot guarantee that our specific plans will always efficiently anticipate regulatory and market trend shifts or be successfully implemented.

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

Before obtaining regulatory approval for the commercial sale of our drug candidates, we must conduct extensive clinical trials to demonstrate the safety and efficacy of our drug candidates for their proposed indications. Results of our clinical trials could reveal limited efficacy or unacceptable severity or prevalence of adverse events. In such an event, our clinical trials could be suspended or terminated and the NMPA, the FDA or other comparable regulatory authorities may order us to cease further development of, or deny approval of, our drug candidates for any or all targeted indications.

Even if we could obtain regulatory approval for our drug candidates, in the event that the results of our clinical trials are only modestly positive, or if they raise safety concerns regarding our drug candidates, we may still be subject to unfavorable circumstances, including:

- obtain approval for indications that are not as broad as intended;
- be required to market our drugs under more restrictive labels, such as adding additional warnings and cautionary statements;
- we may suspend, delay or alter the development or marketing of our drug candidates;
- regulatory authorities may withdraw approvals or revoke licenses of an approved drug candidate, or we may determine to do so even if not required;
- be required to suspend the sales and marketing of our drugs if they had been approved and commercialized;
- be subject to additional post-marketing testing requirements;
- be held liable for harm caused to our patients and be subject to litigation and product liability claims;
- the costs of clinical trials of our drug candidates may be substantially higher than anticipated; and

- be unable to obtain adequate insurance coverage or reimbursement for our drugs from the government or commercial insurers.

If we experience any of the above undesirable conditions, our business may be materially harmed, and we may not be able to generate sufficient revenues and cash flows to continue our operations and may experience a decline in the [**REDACTED**] of our H Shares.

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

We cannot guarantee that we will be successful in discovering, identifying or developing potential drug candidates. Although we have developed proprietary synthetic biology technology platforms which we believe enables us to design, evaluate and select optimal candidates and continue to enrich our pipeline, some drug candidates are technically challenging to develop and manufacture. We may also pursue collaboration with third parties in the discovery and development of potential drug candidates, but we cannot assure you that such collaboration will be able to deliver the intended results.

Research programs to pursue the development of our drug candidates for additional indications and to identify new drug candidates and drug targets require substantial technical, financial and human resources. Our research programs may initially show promising results in identifying potential indications and/or drug candidates, yet fail to yield results for clinical development for a number of reasons, including but not limited to the following factors, among others, (i) the research methodology used may not be successful in identifying potential indications and/or new drug candidates; and (ii) it may take greater resources to identify additional therapeutic opportunities for our drug candidates or to develop suitable potential drug candidates, thereby limiting our ability to diversify and expand our drug portfolio.

Accordingly, we cannot assure you that we will be able to identify new drug candidates or develop additional indications for our drug candidates, which could materially adversely affect our future growth and prospects. We may focus our efforts and resources on potential drug candidates or other potential programs that ultimately prove to be unsuccessful.

We have submitted NDAs for several of our drug candidates. If we are not able to obtain, or experience delays in obtaining required regulatory approvals, we will not be able to commercialize our drug candidates, and our ability to generate revenue will be materially impaired.

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

lengthy, expensive and uncertain process, and approval may not be obtained. When an NDA is submitted, the NMPA has discretion whether to accept or reject a submission for filing. We cannot be certain that future submissions for our drug candidates will be accepted for filing and review by the NMPA.

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

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

We have limited experience in filing for regulatory approval for our drug candidates, and we have not yet received regulatory approval for any of our drug candidates. As of the Latest Practicable Date, we have submitted NDAs for two of our Core Products, namely KJ017 and SJ02, which are currently under review by the NMPA. However, we cannot guarantee that we can successfully obtain the relevant regulatory approvals for commercial sales of KJ017, SJ02, or any of our additional drug candidates in a timely manner, or at all.

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

We have no experience in the commercialization of drugs. If we are unable to build and manage sales network, or maintain sufficient sales and marketing capabilities, either by ourselves or through third parties, we may not be able to successfully create or increase market awareness of our products or sell our products, which will materially affect our ability to generate sales revenue.

Our operations to date have been largely focused on developing our drug candidates, primarily undertaking preclinical studies and conducting clinical trials. We have not yet demonstrated that we have the ability to launch and commercialize any of our drug candidates.

Our ability to successfully commercialize our drug candidates may involve more inherent risks, take longer, and cost more than it would if we were a company with substantial experience launching and marketing drug candidates.

In the short run, we plan to pursue collaborative arrangements with leading pharmaceutical companies to leverage their sales and marketing capabilities and distribution channels for the promotion and commercialization of our drug candidates. However, there can be no assurance that we will be able to establish or maintain such collaborative arrangements, or if we are able to do so, that effective sales forces and network of our potential partners will be established. Any revenue we receive will partially depend upon the efforts of such third parties, which may not be successful. We may have little or no control over the marketing and sales efforts of such third parties, and our revenue from product sales may be lower than if we had commercialized our drug candidates ourselves. We may also in the future develop a dedicated in-house sales and marketing team, which will require significant capital expenditures, management resources and time. We will have to compete with other pharmaceutical companies to recruit, hire, train and retain marketing and sales personnel, but may be unable to, or decide not to, further develop internal sales, marketing and commercial distribution capabilities for any or all of our drug candidates. We also face competition in our search for third parties to assist us with the sales and marketing efforts for our drug candidates. This competition arises from numerous companies vying for the resources of third-party entities, including distribution networks. Faced with constraints such as limited capacity and strategic priorities, these third parties may carefully evaluate potential partnerships. There can be no assurance that we will be able to develop and successfully maintain in-house sales and commercial distribution capabilities or establish or maintain relationships with third-party collaborators to successfully commercialize any product, and as a result, we may not be able to generate product sales revenue.

We have entered into license and collaboration agreements with our partners, and may form or seek additional collaborations or strategic alliances or enter into additional licensing arrangements in the future. We may not realize any or all benefits of such alliances or licensing arrangements, and disputes may arise between us and our collaboration partners.

We have in the past formed, and may in the future seek and form, strategic alliances, joint ventures or other collaborations, including entering into licensing arrangements with third parties that we believe will complement or augment our development and commercialization efforts with respect to our drug candidates and any future drug candidates that we may develop. Some of these are important to the business and performance of our Group. See "Business — Collaboration Agreements." Any of these relationships may require us to incur nonrecurring and other charges, increase our near- and long-term expenditures, issue securities that dilute our existing shareholders, or disrupt our management and business.

Our strategic collaboration with partners involves various risks, including that we may not achieve the revenue and cost synergies expected from the transaction. These synergies are inherently uncertain, and are subject to significant business, economic and competitive

uncertainties and contingencies, many of which are difficult to predict and beyond our control. Also, the synergies from our collaboration with partners may be offset by other costs incurred in the collaboration, increases in other expenses, operating losses or problems in the business unrelated to our collaboration. As a result, there can be no assurance that expected synergies will be achieved in due course, or at all.

We face significant competition in seeking appropriate strategic partners and the negotiation process is time-consuming and complex. Moreover, we may not be successful in our efforts to establish a strategic partnership or other alternative arrangements for our drug candidates because they may be deemed to be at too early a stage of development for collaborative effort and third parties may not view our drug candidates as having the requisite potential to demonstrate safety and efficacy or commercial viability. If and when we collaborate with a third party for the development and commercialization of a drug candidate, we can expect to relinquish some or all of the control over the future success of that drug candidate to the third party. For any drug candidates that we may seek to in-license from third parties, we may face significant competition from other pharmaceutical or biopharmaceutical companies with greater resources or capabilities than us, and any agreement that we do enter into may not result in the anticipated benefits.

Disputes or disagreements may arise between us and our current or future collaboration partners in connection with various reasons. Such disputes or disagreements may cause delays in or termination of the research, development or commercialization of our drug candidates, termination of the collaborations, or may result in costly litigation or arbitration that diverts management's attention and resources or otherwise adversely affect our relationships with our collaboration partners. In the event we are not able to manage the aforementioned risks, whether individually or collectively, partly or at all, our business, financial condition and results of operations may be materially and adversely affected.

Global markets are an important component of our growth strategy. We have retained rights for the development and commercialization of certain of our drug candidates globally. If we fail to obtain licenses or enter into collaboration arrangements with third parties in other markets, or if any third-party collaborator is not successful, our revenue-generating growth potential will be adversely affected.

Moreover, international business relationships subject us to additional risks that may materially adversely affect our ability to attain or sustain profitable operations, including:

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

- difficulty of effective enforcement of contractual provisions in local jurisdictions;

- third parties obtaining and maintaining patent, trade secret and other intellectual property protection and regulatory exclusivity for our drug candidates;
- difficulty of ensuring that third-party partners do not infringe, misappropriate, or otherwise violate the patent, trade secret, or other intellectual property rights of others;
- unexpected changes in or imposition of trade restrictions, such as tariffs, sanctions or other trade controls, and similar regulatory requirements;
- unsatisfactory performance in overseas markets;
- economic weakness, including inflation;
- compliance with tax, employment, immigration and labor laws for employees traveling abroad;
- the effects of applicable foreign tax structures and potentially adverse tax consequences;
- currency fluctuations, which could result in increased operating expenses and reduced revenue;
- workforce uncertainty and labor unrest;
- failure of our employees and contracted third parties to comply with the U.S. Department of the Treasury's Office of Foreign Assets Control rules and regulations, the U.S. Foreign Corrupt Practices Act of 1977, as amended ("**FCPA**") and other applicable laws and regulations; and
- business interruptions resulting from geopolitical actions, including war and acts of terrorism, or natural disasters, including earthquakes, volcanoes, typhoons, floods, hurricanes and fires.

Any delays in commencing and completing construction of, and receiving regulatory approvals for our manufacturing facilities, or any damage to, destruction of, or interruption of production at such facilities, could reduce or restrict our production capacity or our ability to develop or sell products, which could have a material and adverse effect on our business, financial condition and results of operations.

We have established cGMP-compliant manufacturing facilities in Shanghai capable of supplying both pilot- and commercial-scale demands for our selected drug candidates, including KJ017, SJ02, KJ103, SJ04, BJ007, KJ015 and KJ101. To further scale up our manufacturing capacity, we are constructing additional manufacturing facilities in Shanghai, which we expect to complete and put into operation by June 2026. Construction of such

manufacturing facilities may encounter delays or interruptions due to a number of factors, some of which are beyond our control, such as regulatory requirements. Such delays and interruptions could reduce or restrict our production capacity, slow down our drug development and commercialization efforts, especially if we could not source manufacturing to a third party in a timely or cost-effective manner. Even if collaboration with a third party is feasible, we will incur additional manufacturing costs. All could have a material and adverse effect on our business operations, financial condition and results of operations.

Cost overruns associated with constructing or maintaining our new facilities could require us to raise additional funds from other sources. Our manufacturing facilities are required to obtain and maintain regulatory approvals, including being subject to ongoing, periodic inspection by the NMPA, FDA or other comparable regulatory authorities to ensure compliance with cGMP regulations. Further, we will be subject to continued review and site inspections to assess compliance with cGMP and adherence to commitments made in any biologics license application, other marketing application and previous responses to any inspection observations. Accordingly, we and others with whom we work must continue to spend time, money and efforts in all areas of regulatory compliance, including manufacturing, production and quality control. In addition, to obtain FDA approval for our products in the U.S., we would need to undergo strict pre-approval inspections of our manufacturing facilities. Historically, manufacturing facilities in China have had difficulty meeting FDA standards. When inspecting our manufacturing facilities, the FDA may cite cGMP deficiencies. Remediating deficiencies can be laborious, time consuming and costly. Moreover, the FDA will generally re-inspect the facilities to determine whether the deficiency was remediated to its satisfaction and may note further deficiencies during re-inspection.

Our failure to follow and document our adherence to such cGMP regulations or other regulatory requirements may lead to significant delays in the availability of products for clinical or, in the future, commercial use, may result in the termination of or a hold on a clinical trial, or may delay or prevent filing or approval of marketing applications for our drug candidates or their commercialization, if approved. Regulatory authority may also impose fines, injunctions, civil penalties, suspension or withdrawal of approvals, seizures or recalls of our drug candidates, operating restrictions and criminal prosecutions, any of which could harm our business. Furthermore, if the interpretation or implementation of existing laws and regulations changes or new regulations come into effect, we may be required to obtain additional approvals, permits, licenses or certificates and we cannot assure you that we will be able to do so.

Furthermore, if our manufacturing facilities or the equipment in them is damaged or destroyed, we may not be able to replace our manufacturing capacity quickly or inexpensively, or at all. In the event of a temporary or protracted loss of the facilities or equipment, we might not be able to transfer manufacturing to a third party. Even if we could transfer manufacturing to a third party, the shift would likely be expensive and time consuming, particularly since the new facilities would need to comply with the necessary regulatory requirements and we would need regulatory agency approval before selling any drug candidates manufactured at those facilities. Such an event could delay our clinical trials or reduce our product sales if and when

we are able to successfully commercialize one or more of our drug candidates. Any interruption in manufacturing operations at our manufacturing facilities could result in our inability to satisfy the demands of our clinical trials or commercialization. Any disruption that impedes our ability to manufacture our drug candidates in a timely manner could materially and adversely our business, financial condition and operating results.

We have incurred net losses since inception. We anticipate that we will continue to incur net losses for the foreseeable future and may not be able to generate sufficient revenue to achieve or maintain profitability. Potential [REDACTED] are at risk of losing substantially all of their [REDACTED] in our H Shares.

Investment in pharmaceutical companies is highly speculative. We have incurred substantial R&D expenses to date, and expect to continue to incur significant expenses related to clinical trials and preclinical studies. However, we cannot assure you that our drug candidates will obtain regulatory approvals and/or become commercially viable. Our ability to generate significant revenue from our drug candidates will depend primarily on the success of the regulatory approval, manufacturing and commercialization of the drug candidates, which is subject to significant uncertainty. Even if we obtain regulatory approval to market our drug candidates, our future revenue will depend upon other factors such as the market size for the proposed indications of our drug candidates, and our ability to achieve sufficient market acceptance.

In 2023 and the nine months ended September 30, 2024, we incurred net losses of RMB160.4 million and RMB263.2 million, respectively. A substantial portion of our net losses resulted from research and development expenses and administrative expenses. The amount of our future net losses will depend, in part, on our future expenditures resulted from costs and expenses incurred by our research and development programs and in relation to our operations, the cost of commercializing any approved products, our ability to generate revenues, and the timing and amount of milestone and other payments we make or receive with or through arrangements with third parties. We expect to continue to incur significant expenses for the foreseeable future. We anticipate that our expenses will increase if and as we:

- continue to advance the clinical trials and preclinical studies of our product pipeline;
- initiate preclinical, clinical or other studies for new drug candidates;
- seek regulatory approvals for our drug candidates to complete clinical development and commence commercialization;
- manufacture our drug candidates for clinical trials and for commercial sale;
- develop and expand our commercialization team to commercialize any drug candidates in our pipeline for which we may obtain regulatory approval;
- construct and expand manufacturing facilities;

- acquire or in-license other drug candidates, intellectual property assets and technologies;
- incur costs to develop or manufacture drug candidates under any collaboration or in-license agreements;
- maintain, protect, expand and enforce our intellectual property portfolio;
- attract and retain skilled personnel, and grant share incentives to our employees under our share incentive schemes; and
- create additional infrastructure to support our operations as a [**REDACTED**] company and our product development and planned future commercialization efforts.

In addition, considering the numerous risks and uncertainties associated with regulatory approval, we are unable to accurately predict the timing or amount of additional expenses, or when, or if, we will be able to achieve or maintain profitability. Our expenses could increase beyond expectations if we are required by the NMPA, FDA or other similar authorities to perform studies in addition to those that we currently anticipate. Even if our drug candidates are approved for commercial sale, we expect to continue incurring significant costs associated with the manufacturing and the commercial launch of the drug candidates.

Even if we are able to generate revenue from the sale of our approved drug candidates, we may not become profitable and may need to obtain additional funding to continue operations. Moreover, even if we manage to achieve profitability, we may not be able to sustain or increase profitability on an ongoing basis. Our failure to become and remain profitable may also impact [**REDACTED**]' perception of the potential value of our company and could impair our ability to raise additional capital, expand our business or continue our operations. Failure to become and remain profitable may also adversely affect the [**REDACTED**] of our H Shares. A decline in the [**REDACTED**] of our H Shares could cause potential [**REDACTED**] to lose all or part of their [**REDACTED**] in our business.

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

Our success depends in large part on our ability to protect our proprietary technologies and drug candidates from competition by obtaining, maintaining, defending and enforcing our intellectual property rights, including patent rights. We seek to protect the drug candidates and technology that we consider commercially important by filing patent applications in the PRC, the U.S. and other jurisdictions, relying on patent rights, trade secrets or pharmaceutical regulatory protection or employing a combination of these methods. As of the Latest

Practicable Date, we owned (i) 16 issued patents in the PRC and (ii) 66 pending patent applications, consisting of 34 in the PRC, 31 in other jurisdictions including the U.S., Europe, Japan, South Korea, Hong Kong and Taiwan, and one under the Patent Cooperation Treaty ("**PCT**"). For further information on our patent portfolio, see "Business — Intellectual Property." We also plan to apply for extensions of the terms of certain eligible patents with respect to our drug candidates upon the expiration of such patents. Whether we can obtain the approval for each pending patent application or future extension application is subject to the examination opinions from the applicable patent examination authorities during the ordinary pendency and examination of such applications. If we or our collaborators are unable to obtain and maintain patent and other intellectual property protection with respect to our drug candidates and technologies, our business, financial condition, results of operations and prospects could be materially harmed.

The patent prosecution process is expensive, time-consuming and complex, and we may not be able to file, prosecute, maintain, defend, enforce or license all necessary or desirable patents at a reasonable cost or in a timely manner in all desirable jurisdictions. As a result, we may not be able to prevent competitors or other third parties from developing and commercializing competitive drugs in all such fields and jurisdictions. Moreover, some of our patent applications may in the future be co-owned with third parties. If we are unable to obtain an exclusive license to any such third-party co-owners' interest in such patents or patent applications, such co-owners may be able to license their rights to other third parties, including our competitors, and our competitors could market competing products and technology. In addition, we may need the cooperation of any such co-owners of our patents in order to enforce such patents against third parties, and such cooperation may not be provided to us. Furthermore, the patent position of pharmaceutical companies generally is highly uncertain, involves complex legal and factual questions, and has been the subject of much litigation in recent years. As a result, the issuance, scope, validity, enforceability and commercial value of our patent rights are highly uncertain.

The requirements for patentability differ in certain jurisdictions. For example, many jurisdictions have compulsory licensing laws under which a patent owner may be compelled to grant licenses to third parties. In addition, many jurisdictions limit the enforceability of patents against government agencies or government contractors. In these jurisdictions, the patent owner may have limited remedies, which could materially diminish the value of such patents. If we or any of our collaborators are forced to grant a license to third parties with respect to any patents relevant to our business, our competitive position may be materially impaired and our business, financial condition, results of operations, and prospects may be adversely affected.

We are focused on protecting our intellectual property rights in the PRC, the U.S., and other jurisdictions. Filing, prosecuting, maintaining, defending and enforcing patents and other intellectual property rights with respect to our drug candidates in all other jurisdictions throughout the world would be prohibitively expensive for us. Our intellectual property rights in certain jurisdictions may have a lessor or different scope and strength compared to those in our target markets. In addition, the laws of certain jurisdictions do not protect intellectual

property rights to the same extent as the laws of our target markets. Consequently, in some cases, we may not be able to obtain issued patents or other intellectual property rights covering our drug candidates in jurisdictions outside our target markets and, as a result, we may not be able to prevent third parties from using our inventions in all jurisdictions outside our target markets, or from selling or importing drugs made using our inventions in and into our target markets or other jurisdictions. Competitors and other third parties may use our technologies in jurisdictions where we have not pursued and obtained patent and other intellectual property protection to develop their own drugs and further, may export otherwise infringing drugs to jurisdictions where we have patent or other intellectual property protection, but where enforcement rights are not as strong as those in markets such as the U.S. These drugs may compete with our drug candidates and our patent rights or other intellectual property rights may not be effective or adequate to prevent them from competing.

Many companies have encountered significant problems in protecting and defending intellectual property rights in some jurisdictions. The legal system in these jurisdictions, particularly those in certain developing countries, do not favor the enforcement of patents, trade secrets and other intellectual property protection, particularly those relating to biotechnology products, which could make it difficult for us to stop the infringement, misappropriation or other violation of our patents or other intellectual property rights, or the marketing of competing drugs in violation of our proprietary rights in these jurisdictions. Proceedings to enforce our patent and other intellectual property rights in foreign jurisdictions could result in substantial costs and divert our efforts and attention from other aspects of our business, could put our patents and other intellectual property rights at risk of being invalidated or interpreted narrowly and our patent applications at risk of not issuing and could provoke third parties to assert claims against us. We may not prevail in any lawsuits that we initiate and the damages or other remedies awarded, if any, may not be commercially meaningful. Accordingly, our efforts to enforce our intellectual property rights around the world may be inadequate to obtain a commercial advantage from the intellectual property that we develop or license. In addition, under the PRC patent law, any organization or individual that applies for a patent in a foreign country for an invention or utility model accomplished in China is required to report to the China National Intellectual Property Administration (the "**CNIPA**"), for confidentiality examination. Otherwise, if an application is later filed in China, the patent right will not be granted. Any of the foregoing could have a material adverse effect on our competitive position, business, financial conditions, results of operations and prospects.

Even if we are able to commercialize any approved drug candidates, reimbursement may be limited or unavailable in certain market segments for our drug candidates, and we may face uncertainties from national, provincial or other third-party drug reimbursement practices and unfavorable drug pricing policies or regulations, which could harm our business.

The regulations that govern regulatory approvals, pricing and reimbursement for new therapeutic products vary widely from country to country. We intend to seek approval to market our drug candidates in China, the U.S., and other jurisdictions. In China, the pricing of drugs and biologics is subject to governmental control, which can take considerable time even after

obtaining regulatory approval. Our ability to commercialize any approved drug candidates successfully also will depend in part on the extent to which reimbursement for these drugs and related treatments will be available from government health administration authorities, private health insurers and other organizations.

A primary trend in the global healthcare industry is cost containment. Government authorities and these third-party payers have attempted to control costs by limiting coverage and the amount of reimbursement for particular medications.

In China, the National Healthcare Security Administration of China, the Ministry of Human Resources and Social Security of China or provincial or local human resources and social security authorities, together with other government authorities, review the inclusion or removal of drugs from China's National Drug Catalog for Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance (《國家基本醫療保險、工傷保險和生育保險藥品目錄》), or the National Reimbursement Drug List (the "**NRDL**"), or provincial or local medical insurance catalogues for the National Medical Insurance Program (the "**PRDL**") regularly, and the tier under which a drug will be classified, both of which affect the amounts reimbursable to program participants for their purchases of those drugs. There can be no assurance that any of our future approved drug candidates will be included in the NRDL or the PRDL. Products included in the NRDL or the PRDL are typically generic and essential drugs. Innovative drugs similar to our drug candidates have historically been more limited on their inclusion in the NRDL or the PRDL due to the affordability of the government's Basis Medical Insurance.

In the U.S., there is no uniform policy of medical insurance coverage and reimbursement for drugs. In China, the average period for innovative drugs to be included in the NRDL or the PRDL has shortened from five to two years. Nevertheless, obtaining coverage and reimbursement approval of a drug from a government or other third-party payer is a time-consuming and costly process that could require us to provide to each payer supporting scientific, clinical and cost-effectiveness data for the use of our future approved drugs on a payer-by-payer basis, with no assurance that coverage and adequate reimbursement will be obtained. Even if we obtain coverage for a given drug, the resulting reimbursement rates might not be adequate for us to achieve or sustain profitability or may require co-payments that patients find unacceptably high. Additionally, third-party payers may not cover, or provide adequate reimbursement for, long-term follow-up evaluations required following the use of our future approved drug candidates. Patients are unlikely to use any of our future approved drug candidates unless coverage is provided and reimbursement is adequate to cover a significant portion of the cost of the drugs. Because some of our drug candidates have a higher cost of goods than conventional therapies, and may require long-term follow-up evaluations, the risk that coverage and reimbursement rates may be inadequate for us to achieve profitability may be greater.

Increasingly, third-party payers are requiring that biopharmaceutical companies provide them with predetermined discounts from list prices and are challenging the prices charged for medical products. We cannot be sure that reimbursement will be available for any approved

drug candidates that we commercialize and, if reimbursement is available, what the level of reimbursement will be. Reimbursement may impact the demand for, or the price of, any approved drug candidates that we commercialize. Obtaining or maintaining reimbursement for our future approved drug candidates may be particularly difficult because of the higher prices often associated with drugs administered under the supervision of a physician. If reimbursement is not available or is available only to limited levels, we may not be able to successfully commercialize any drug candidates that we have successfully developed.

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

Historically, we have been funding our operations primarily through equity and debt financings. We recorded net operating cash outflows during the Track Record Period and will need to obtain additional financing to fund our operations. If we are unable to obtain sufficient financing on terms acceptable to us or at all, we may be unable to complete the development and commercialization of our drug candidates.

Our drug candidates require substantial investments for the completion of clinical development, regulatory review, drug manufacturing, marketing and launch before they can generate product sales revenue. Our operations have consumed substantial amounts of cash since our inception. We will need to expend substantial resources on the research and development and commercialization of our product pipelines. Our future funding requirements will depend on many factors, including but not limited to:

- the progress, timing, scope and costs of our clinical trials, including the ability to timely identify and enroll patients in our planned and potential future clinical trials;
- the outcome, timing and cost of regulatory approvals of our drug candidates;
- the progress, timing, scope and costs related to discovery and early development of additional drug candidates;

- the preparation required for anticipated commercialization of our drug candidates, and if regulatory approvals are obtained, to fund the product launch;
- the manufacturing requirements and capabilities related to clinical development and future commercialization for any approved drug candidates;
- the level of market interest in our drug candidates and the therapeutic targets we are pursuing;
- selling and marketing costs associated with any future drug candidates that may be approved, including the cost and timing of expanding our marketing and sales capabilities;
- the amount and timing of any profit sharing, milestone and royalty payments we receive from our current or future collaborators;
- cash requirements of any future development of our pipeline drug candidates; and
- our headcount growth and associated costs.

We had net cash used in operating activities of RMB140.2 million and RMB211.0 million in 2023 and the nine months ended September 30, 2024, respectively. To date, we have funded our operations primarily through equity and debt financings. We expect to continue to spend substantial amounts on drug discovery, advancing the clinical development of our drug candidates, and launching and commercializing any drug candidates for which we receive regulatory approvals. However, if the commercialization of our drug candidates is delayed or terminated, or if the expenses associated with drug development and commercialization increase substantially, we may need to obtain additional financing to fund our operations. Additional funds may not be available when we need them on terms that are acceptable to us, or at all. Our ability to raise funds will depend on financial, economic and market conditions and other factors, many of which are beyond our control. If adequate funds are not available to us on a timely basis, we may be required to delay, limit, reduce or terminate pre-clinical studies, clinical trials or other research and development activities or commercialization for one or more of our drug candidates, and in turn will adversely affect our business prospects.

OTHER RISKS RELATING TO OUR BUSINESS

RISKS RELATING TO THE DEVELOPMENT OF OUR DRUG CANDIDATES

If we encounter delays or difficulties enrolling subjects in our clinical trials, our clinical development progress could be delayed or otherwise adversely affected.

The timely completion of clinical trials depends on, among others, our ability to enroll a sufficient number of subjects who will remain in the clinical trials until their conclusion. During the Track Record Period, we did not encounter any material difficulties in enrolling

suitable subjects in our clinical trials. However, in any foreseeable future, if we are unable to locate and enroll a sufficient number of eligible subjects, or if there are delays in the enrollment of eligible subjects, we may not be able to initiate or continue clinical trials for our drug candidates. We may encounter challenges with enrolling subjects in our clinical trials for various reasons beyond our control, such as:

- difficulties with recruiting a sufficient number of subjects that possess the traits and characteristics we seek;
- the subjects' perceptions as to the potential advantages and risks of the drug candidates being studied in relation to other available drugs or drug candidates;
- the resources we have to facilitate timely subject enrollment in our clinical trials;
- the efforts made by trial executing personnel, including our CROs, to screen and recruit eligible subjects; and
- the proximity and availability of clinical trial sites for prospective subjects.

Our clinical trials will likely compete with other clinical trials for drug candidates that are in the same therapeutic areas as our drug candidates. This competition will reduce the number and types of patients available to us as some patients might choose to enroll in a trial being conducted by one of our competitors instead of ours.

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

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

As we have limited financial and managerial resources, we focus our product pipeline on research programs and drug candidates that we identify for specific indications. As a result, we may forgo or delay pursuit of opportunities with other drug candidates or for other indications that may later prove to have greater commercial potential or a greater likelihood of success. Our spending on current and future research and development programs and drug candidates for specific indications may not yield any commercially viable products. If we do not accurately evaluate the commercial potential or target market for a particular drug candidate, we may relinquish valuable rights to that drug candidate through collaboration, licensing or other royalty arrangements in cases in which it would have been more advantageous for us to retain sole development and commercialization rights to such drug candidate, or we may allocate internal resources to a product candidate in a therapeutic area in which it would have been more advantageous to enter into a partnering arrangement.

Adverse events or undesirable side effects caused by our drug candidates could interrupt or halt clinical trials, delay or prevent regulatory approval, limit the commercial profile of an approved label, or result in significant negative consequences following any regulatory approval.

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

Additionally, if we or others identify undesirable side effects caused by those of our other drug candidates after having received regulatory approval, this may lead to potentially significant negative consequences which include, but are not limited to, the following:

- we may suspend marketing of the drug candidate;
- regulatory authorities may withdraw their approvals of or revoke the licenses for the drug candidate;
- regulatory authorities may require additional warnings on the label;
- the FDA may require the establishment of a Risk Evaluation and Mitigation Strategy ("**REMS**") or the NMPA or a comparable regulatory authority may require the establishment of a similar strategy that may, for instance, restrict distribution of our drugs and impose burdensome implementation requirements on us;
- we may be required to conduct specific post-marketing studies;
- we could be subjected to litigation proceedings and held liable for harm caused to subjects or patients; and
- our reputation may suffer.

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

The data and information we gather or otherwise rely on in our research and development process could be inaccurate or incomplete, which could harm our trial results, reputation and prospect.

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

We also engage in the procurement of regulatory approvals necessary for the development and commercialization of our drug candidates, for which we manage and submit data to governmental entities. These processes and submissions are governed by complex data processing and validation policies and regulations. Notwithstanding such policies and regulations, interim, top-line or preliminary data from our clinical trials that we announce or publish from time to time may change as more patient data become available and are subject to audit and verification procedures that could result in material changes in the final data, in which case we may be exposed to liability to a customer, court or government agency that concludes that our storage, handling, submission, delivery, or display of health information or other data was wrongful or erroneous. Even unsuccessful claims could result in substantial costs and diversion of management time, attention, and resources. A claim brought against us that is uninsured or under-insured could harm our business, financial condition and results of operations.

In addition, we rely on third parties, such as CROs, to monitor and manage data for some of our ongoing preclinical and clinical programs and control only certain aspects of their activities. If any of our CROs or other third parties do not perform to our standards in terms of data accuracy or completeness, data from those preclinical and clinical studies may be compromised as a result, and our reliance on these parties does not relieve us of our regulatory responsibilities. For a detailed discussion, see "— Risks Relating to our Reliance on Third Parties — We rely on third parties to monitor, support and/or conduct clinical trials and preclinical studies of our drug candidates. If these third parties do not successfully carry out their contractual duties or meet expected timelines, we may not be able to obtain regulatory approval for, or commercialize, our drug candidates, and our business could be materially harmed." in this section.

We invest substantial human and capital resources in research and development in order to develop our drug candidates and enhance our technologies, but we cannot guarantee that such efforts will lead to successful outcomes.

The global biopharmaceutical market is constantly evolving, and we must keep pace with new technologies and methodologies to maintain our competitive position. For example, we have made significant efforts to develop our proprietary synthetic biology technology platforms, including drug design platform, chassis cell engineering platform, and comprehensive bioprocessing platform, which allow us to continuously develop a strong pipeline of drug candidates. For details, see "Business — Our Platforms." In 2023 and the nine months ended September 30, 2024, we incurred research and development expenses of RMB132.5 million and RMB183.7 million, respectively. We intend to continue to strengthen our technical capabilities in the development of our drug candidates, which requires substantial capital and time. We cannot assure you that we will be able to develop, improve or adapt to new technologies and methodologies, successfully identify new technological opportunities, develop and bring new or enhanced products to market, or obtain sufficient or any patent or other intellectual property protection for such new or enhanced products in a timely and cost-effective manner. Any failure to do so may render our previous efforts obsolete, which could significantly reduce the competitiveness of our technology platforms and drug candidates, and harm our business and prospects.

RISKS RELATING TO THE MANUFACTURING OF OUR DRUG CANDIDATES

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

The manufacturing of biologic products is a highly complex process, due in part to strict regulatory requirements. Problems may arise during manufacturing for a variety of reasons, including equipment malfunction, failure to follow specific protocols and procedures, changes in product specification, low quality or insufficient supply of raw materials or our future expansion of our manufacturing facilities as a result of changes in manufacturing production sites and limits to manufacturing capacity due to regulatory requirements, changes in the types of products produced, advances in manufacturing techniques, physical limitations that could inhibit continuous supply and man-made or natural disasters and other environmental factors. If problems arise during the production of a batch of product, that batch of product may have to be discarded and we may experience product shortages or incur added expenses. This could, among other things, lead to increased costs, lost revenue, damage to customer relationships, time and expense spent investigating the cause and, depending on the cause, similar losses with respect to other batches or products. If problems are not discovered before the product is released to the market, recall and product liability costs may also be incurred.

In addition, we face additional manufacturing risks in relation to the CDMOs we engage from time to time. We cannot assure you that any stability failures or other issues relating to the manufacture of our drug candidates will not occur in the future, either relating to our

third-party CDMOs or on our manufacturing facilities we plan to build in the future. Please refer to the paragraphs headed "— We may from time to time engage third parties to manufacture our selected drug candidates for clinical development. If these third-party manufacturers fail to deliver sufficient quantities of product or fail to do so at acceptable quality levels or prices, our business could be harmed."

Manufacturing methods and formulation are sometimes altered through the development of drug candidates from clinical trials to approval, and further to commercialization, in an effort to optimize manufacturing processes and results. Such alterations carry the risk that they will not achieve these intended objectives. Any of these alterations could cause the drug candidates to perform differently and affect the results of planned clinical trials or other future clinical trials conducted with the altered materials. This could delay the commercialization of drug candidates and require bridging studies or the repetition of one or more clinical trials, which may result in increases in clinical trial costs, delays in drug approvals and jeopardize our ability to commence product sales and generate revenue.

We may also encounter problems with achieving adequate or clinical-grade products that meet the NMPA, FDA, or other comparable regulatory authorities standards or specifications, maintaining consistent and acceptable production costs, and experience shortages of qualified personnel, raw materials or key contractors, and experience unexpected damage to our facilities or the equipment in them. In these cases, we may be required to delay or suspend our manufacturing activities. We may be unable to secure temporary, alternative manufacturers for our drugs with the terms, quality and costs acceptable to us, or at all. Such an event could delay our clinical trials and/or the availability of our future drug products for commercial sale. Moreover, we may spend significant time and costs to remedy these deficiencies before we can continue production at our manufacturing facilities.

Furthermore, the quality of our future drug products, including drug candidates manufactured by us leveraging our existing and future manufacturing facilities or by the CDMOs for research and development purposes and for commercial use in the future, depends significantly on the effectiveness of our quality control and quality assurance, which in turn depends on factors such as the production processes used in the CDMOs or in our existing and future manufacturing facilities, the quality and reliability of equipment used, the quality of manufacturing staff and related training programs and our ability to ensure that our employees, CDMOs adhere to our quality control and quality assurance protocol. However, we cannot assure you that the quality control and quality assurance procedures of our Company, CDMOs will be effective in consistently preventing and resolving deviations from our quality standards. We are, however, working with CDMOs on improving our documentation procedures for quality control and quality assurance activities. Any significant failure or deterioration of our quality control and quality assurance protocol could render our future drug products unsuitable for use, jeopardize any cGMP certifications we may have and/or harm our market reputation and relationship with business partners. Any such developments may have a material adverse effect on our business, financial condition and results of operations.

We may face damage to, destruction of or interruption of production at our facilities, which could impede the development plans for any subsequent commercialization efforts towards our drug candidates.

We have established cGMP-compliant manufacturing facilities in Shanghai which meet both pilot- and commercial-scale production demands for our selected drug candidates. Our facilities may be harmed or rendered inoperable by physical damage from fire, floods, earthquakes, typhoons, tornadoes, power loss, telecommunications failures, break-ins and similar events. Any interruption in manufacturing operations at our manufacturing facilities could result in our inability to satisfy the demands of our clinical trials or future commercialization. There can be no assurance that our existing manufacturing facilities will produce products in sufficient volumes in the event of any significant change in market demand. Additionally, we have also collaborated with a third-party qualified CDMO outside the PRC to support our potential overseas supply in the future. As such, we are exposed to the risks of increased pricing for our sub-contracted production and that the third parties may not manufacture products meeting our specifications or in sufficient volumes to meet market demand. Consequently, our sales volumes and margins for the relevant products could be materially and adversely affected.

Advances in manufacturing techniques may render our facilities and equipment inadequate or obsolete, and therefore we may also need to develop advanced manufacturing techniques and process controls in order to fully utilize our facilities. If we are unable to do so, or if the process to do so is delayed, or if the cost of this scale up is not economically feasible for us or we cannot find a third-party supplier, we may not be able to supply our products in a sufficient quantity to meet future demand, which would limit our development and commercialization activities and our opportunities for growth.

Manufacturing of our products depends on the continued service of qualified manufacturing personnel. Competition for qualified manufacturing in the pharmaceutical industry is intense and the pool of qualified candidates is limited. Although we have not historically experienced unique difficulties attracting and retaining qualified manufacturing personnel, we could experience such problems in the future. If we are unable to maintain a sufficient number of qualified manufacturing personnel to support our products manufacture, production capacity may be adversely affected.

To further upgrade our manufacturing capacity, we are constructing new manufacturing facilities in Shanghai, strategically designed to complement the pilot- and commercial-scale production of our recombinant protein drugs, particularly KJ101 and BJ044. Such new manufacturing facilities requires prior and ongoing review by regulatory authorities and/or approval of the manufacturing process and procedures in accordance with applicable requirements. This review may be costly and time-consuming and could delay or halt the launch of our products. The new facilities will also be subject to pre-approval inspection. In addition, we have to demonstrate that the products made at the new facilities are equivalent to the products made at the former facilities by physical and chemical methods, which are costly and time consuming. Regulatory authorities may also require clinical testing as a way to prove

equivalency, which would result in additional costs and delay. In the event we fail to increase our production capacity or develop the new manufacturing facilities, we may not capture the expected growth in demand for our products, or to successfully commercialize new products, each of which could materially and adversely affect our business prospects.

Our therapeutic biologics products, like any other biologic product, may involve risks of contamination.

Therapeutic biologics products manufacturing usually requires cultivation steps, including growth of the appropriate organism and the use of substances of animal origin, which makes it easy to introduce a contaminant and to amplify low levels of contamination. In addition, 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 and/or destroy. We also could 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. In addition, contaminated products that are unknowingly distributed could result in harm on patients, threaten the reputation of our products and expose us to product liability claims, criminal charges and administrative sanctions.

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

Manufacturing of pharmaceutical products for commercial sale are subject to applicable laws, regulations and cGMP requirements. These regulations and laws govern the manufacturing processes and procedures, such as record keeping, operating and implementing the quality management systems to control and assure the quality of investigational products and products approved for sale. We have established a robust quality management team consisting of quality control, quality assurance, validation and pharmacovigilance specialists, and adopted stringent quality control standards at every stage of our manufacturing process not only to fulfil the legal requirements but to ensure a high-quality output. Further, we perform extensive tests throughout the manufacturing processes to ensure the safety and effectiveness of our products. However, there can be no assurance that such standards or tests will be effective. We may, however, detect instances in which an unreleased product was produced without adherence to our manufacturing procedures or the raw material used in our manufacturing process was not collected to store in accordance with the cGMP standards or other regulations, resulting in a determination that the implicated products should be destroyed.

In addition, if we fail to comply with relevant quality control requirements under any laws or cGMP, we could experience disruptions in manufacturing of our products, which could delay or prevent further sales of such products, and may result in material adverse effect on our business and financial results.

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

RISKS RELATING TO THE COMMERCIALIZATION OF OUR DRUG CANDIDATES

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

Our projections of the number of patients who have the potential to benefit from treatment with our drug candidates are based on our beliefs and estimates. These estimates have been derived from a variety of sources, including scientific literature, surveys of clinics, patient foundations, or market research and may prove to be incorrect. Additionally, new studies may change the estimated incidence or prevalence of these diseases. The number of patients may turn out to be fewer than expected. As a result, the potentially addressable patient population and market size for our drug candidates may be smaller than our estimates. Furthermore, there is no guarantee that any of our drug candidates, even if approved, would be approved for the line of therapy we are aiming for. For indications with well-established standard of care therapies, the NMPA, the FDA and other comparable regulatory authorities may approve new therapies initially only for later lines of therapy. While we may seek approval for our drug candidates as an early-line therapy for certain indications, there is no guarantee that they will be approved as such. As a result, even if we obtain market approval for our drug candidates, we may not achieve the anticipated market size and revenue unless such market approval is for the intended lines of therapy or for additional indications.

Our drug candidates, once approved, may fail to achieve the degree of market acceptance by physicians, hospitals, patients, third-party payers and others in the medical community that would be necessary for their commercial success, and the actual market size of our drug candidates might be smaller than expected.

The commercial success of our drug candidates, upon regulatory approval, depends upon the degree of market acceptance each of such products achieves. Our drug candidates, once approved, may fail to gain sufficient market acceptance by physicians, patients, third-party payers and others in the medical community. In addition, physicians, patients and third-party payers may prefer other products to ours. If our approved drug candidates do not achieve an

adequate level of acceptance, the sales of our future drug products will be adversely affected, and we may fail to effectively market our drug candidates. The degree of market acceptance of our drug candidates, if approved for commercial sale, will depend on a number of factors, including, but not limited to:

- the clinical indications for which our drug candidates are approved;
- physicians, hospitals, medical treatment centers and patients considering our drug;
- efficacy and safety of our drug candidates;
- the potential and perceived advantages of our drug candidates over alternative treatments;
- the prevalence and severity of any side effects;
- product labelling or product insert requirements of regulatory authorities;
- limitations or warnings contained in the labelling approved by regulatory authorities;
- the timing of market introduction of our drug candidates as well as competitive drugs;
- the cost of treatment in relation to alternative treatments;
- the availability of adequate coverage, reimbursement and pricing by third-party payers and government authorities;
- the willingness of patients to pay out-of-pocket in the absence of coverage and reimbursement by third-party payers and government authorities; and
- the effectiveness of our sales and marketing efforts.

If any of our drug candidates are approved but fail to achieve market acceptance among physicians, patients, hospitals, medical treatment centers or others in the medical community, we will not be able to generate significant revenue. Even if our future approved drugs achieve market acceptance, we may not be able to maintain such market acceptance over time if new products or technologies are introduced that are more favorably received than our drug candidates, are more cost-effective or render our drug candidates obsolete. Our failure to achieve or maintain market acceptance for our future approved drugs would materially adversely affect our business, financial condition, results of operations and prospects.

Illegal and/or parallel imports and counterfeit pharmaceutical products may reduce demand for our future approved drug candidates and could have a negative impact on our reputation and business.

The illegal importation of competing products from countries where government price controls or other market dynamics result in lower prices may adversely affect the demand for our future approved drug candidates and, in turn, may adversely affect our sales and profitability in China, the U.S. and other countries and regions where we commercialize our products in the future. Illegal imports may continue to occur or even increase as the ability of patients and other customers to obtain these lower priced imports continues to grow. In addition, governmental authorities may expand consumers' ability to import lower priced versions of our future approved products or competing products. Cross-border imports from lower-priced markets (which are known as parallel imports) into higher-priced markets could harm sales of our future drug products and exert commercial pressure on pricing within one or more markets. Any future legislation or regulations that increase consumer access to lower priced medicines could have a material adverse effect on our business.

Furthermore, certain products distributed or sold in the pharmaceutical market may be manufactured without proper licenses or approvals, or be fraudulently mislabeled with respect to their content or manufacturers. These products are generally referred to as counterfeit pharmaceutical products. The counterfeit pharmaceutical product control and enforcement system, particularly in developing markets such as China, may be inadequate to discourage or eliminate the manufacturing and sale of counterfeit pharmaceutical products imitating our products. Since counterfeit pharmaceutical products in many cases have similar appearances compared with the authentic pharmaceutical products but are generally sold at lower prices, counterfeits could quickly erode the demand for our drug candidates approved in the future. In addition, thefts of our inventory at warehouses, plants or while in-transit could lead to our products being wrongfully stored and handled, and eventually sold through unauthorized channels. A patient who receives a counterfeit or unauthorized pharmaceutical product may be at risk for a number of dangerous health consequences, which potentially exposes us to product liability claims, government investigations, and other disputes and negative consequences. Our reputation and business could suffer harm as a result of counterfeit or unauthorized pharmaceutical products sold under our or our collaborators' brand name(s).

Negative results from off-label use of our future marketed drug products could harm our reputation, product brand, business operations and financial condition and expose us to liability.

Off-label drug use is the prescription of a product for an indication, dosage or in a dosage form that is not in accordance with regulatory approved usage and labeling. Even though the NMPA, FDA and other comparable regulatory authorities actively enforce the laws and regulations prohibiting the promotion of off-label use, there remains the risk that our product is subject to off-label drug use and is prescribed in a patient population, dosage or dosage form that has not been approved by competent authorities. This occurrence may render our products less effective or entirely ineffective and may cause adverse drug reactions or AEs. Any of these

occurrences can create negative publicity and materially and adversely affect our business reputation, product brand, business operations and financial conditions. These occurrences may also expose us to liability and cause a delay in the progress of our clinical trials and may ultimately result in failure to obtain regulatory approval for our drug candidates.

RISKS RELATING TO OUR RELIANCE ON THIRD PARTIES

We rely on third parties to monitor, support and/or conduct clinical trials and preclinical studies of our drug candidates. If these third parties do not successfully carry out their contractual duties or meet expected timelines, we may not be able to obtain regulatory approval for, or commercialize, our drug candidates, and our business could be materially harmed.

We have worked with and plan to continue to work with third-party collaborators, such as CROs, to assist in the execution of our preclinical studies and clinical trials. We control only certain aspects of their activities and we cannot ensure that these collaborators will adequately and timely perform all of their obligations to us. Nevertheless, we are responsible for ensuring that each of our studies is conducted in accordance with the applicable protocol, legal and regulatory requirements and scientific standards, and our collaboration with the CROs does not relieve us of our regulatory responsibilities. We, our CROs for our clinical programs and our clinical investigators are required to comply with GCP, which are regulations and guidelines enforced by the NMPA, FDA and other comparable regulatory authorities for all of our drug candidates in clinical development. If we or any of our CROs or clinical investigators fail to comply with applicable GCP, the clinical data generated in our clinical trials may be deemed unreliable and the NMPA, FDA or comparable regulatory authorities may require us to perform additional clinical trials before approving our marketing applications. Our failure to comply with these regulations may require us to repeat clinical trials, which would delay the regulatory approval process.

If any of our relationships with these CROs terminate, we may not be able to enter into arrangements with alternative CROs or to do so on commercially reasonable terms. In addition, our CROs are not our employees, and except for remedies available to us under our agreements with such CROs, we cannot control whether or not they devote sufficient time and resources to our ongoing pre-clinical studies, and clinical and non-clinical programs. If CROs do not successfully carry out their contractual duties or obligations or meet expected deadlines, if they need to be replaced or if the quality or accuracy of the clinical data they or our clinical investigators obtain is compromised due to failure to adhere to our clinical protocols, regulatory requirements or for other reasons, our clinical trials may be extended, delayed or terminated and we may not be able to obtain regulatory approval for or successfully commercialize our drug candidates. As a result, our results of operations and the commercial prospects for our drug candidates would be harmed, our costs could increase and our ability to generate revenues could be delayed.

Switching or adding additional CROs involves additional cost and delays, which can materially influence our ability to meet our desired clinical development timelines. There can be no assurance that we will not encounter similar challenges or delays in the future or that these delays or challenges will not have a material adverse effect on our business, financial condition and prospects.

Furthermore, we might engage third parties to perform certain specification tests on our drug candidates prior to delivery to patients. If these tests are not appropriately done and test data are not reliable, patients could be put at risk of serious harm and regulatory authorities could place significant restrictions on our Company until deficiencies are remedied or related actions are taken.

We may from time to time engage third parties to manufacture our selected drug candidates for clinical development. If these third-party manufacturers fail to deliver sufficient quantities of product or fail to do so at acceptable quality levels or prices, our business could be harmed.

We have in the past engaged third parties to manufacture certain of our drug candidates for clinical development, and may continue to do so periodically in the future. Our anticipated reliance on contract manufacturers exposes us to certain risks, such as:

- we or our licensees may be unable to identify manufacturers on acceptable terms or at all because the number of potential manufacturers is limited and the NMPA, FDA or other comparable regulatory authorities must approve any manufacturers as part of their regulatory oversight of our drug candidates. This approval would require new testing and cGMP-compliance inspections by the NMPA, FDA or other comparable regulatory authorities. In addition, a new manufacturer would have to be educated in, or develop substantially equivalent processes for, production of our drugs;

- the contract manufacturers may have little or no experience with manufacturing our drug candidates, and therefore may require a significant amount of support from us or our licensees in order to implement and maintain the infrastructure and processes required to manufacture our drug candidates;

- the contract manufacturers may have limited capacity or limited manufacturing slots, which may affect the timeline for the production of our drugs;

- the contract manufacturers might be unable to timely manufacture our drug candidates or produce the quantity and quality required to meet our clinical and commercial needs, if any;

- the contract manufacturers may not be able to execute our or our licensees' manufacturing procedures and other logistical support requirements appropriately;

- our or our licensees' future contract manufacturers may not perform as agreed, may not devote sufficient resources to our drugs, or may not remain in the contract manufacturing business for the time required to supply our clinical trials or to successfully produce, store and distribute our drugs;

- the contract manufacturers are subject to ongoing periodic unannounced inspections by the NMPA and the FDA to ensure strict compliance with GMP and other government regulations in the PRC and the United States, respectively, and by other comparable regulatory authorities for corresponding regulatory requirements. We or our licensees do not have control over contract manufacturers' compliance with these regulations and requirements;

- we may not own, or may have to share, the intellectual property rights to any improvements made by contract manufacturers in the manufacturing process for our drugs;

- the contract manufacturers could breach or terminate their agreements with us or our licensees;

- the contract manufacturers may be unable to sustain their business and become bankrupt as a result;

- raw materials and components used in the manufacturing process, particularly those for which we or licensees have no other source or supplier, may not be available or may not be suitable or acceptable for use due to material or component defects;

- products and components from our or our licensees' contract manufacturers may be subject to additional customs and import charges, which may cause us to incur delays or additional costs as a result;

- the contract manufacturers and critical reagent suppliers may be subject to inclement weather, as well as natural or man-made disasters; and

- the contract manufacturers may have unacceptable or inconsistent product quality success rates and yields.

Each of these risks could delay or prevent the completion of our clinical trials or the approval of any of our drug candidates by the NMPA, FDA or other comparable regulatory authorities, result in higher costs or adversely impact the commercialization of our drug candidates.

We depend on a stable and adequate supply of quality raw materials, including consumables, devices and equipment from our suppliers, and price increases or interruptions of such supply could have an adverse impact on our business.

During our business operations, we require a substantial amount of raw materials and consumables, such as chromatography resins, filters, disposable bags and cell culture media. In 2023 and the nine months ended September 30, 2024, our cost of raw materials amounted to RMB15.7 million and RMB12.4 million, respectively. In the event of significant price increases for raw materials, consumables and equipment, we cannot assure you that we will be able to raise the prices of our drug candidates upon commercialization sufficiently to cover such increased costs. As a result, our profitability could be adversely affected.

Although we believe that we have stable relationships with our existing suppliers, we cannot assure you that we will be able to secure a stable supply of raw materials, consumables and research and development services going forward. Our suppliers may not be able to keep up with our fast growth or may reduce or cease their supply of raw materials to us at any time. In addition, we cannot assure you that our suppliers have obtained and will be able to renew all licenses, permits and approvals necessary for their operations or comply with all applicable laws and regulations, and failure to do so by them may lead to interruption in their business operation, which in turn may result in shortage of raw materials, consumables and services provided to us. Some of our suppliers are based overseas and therefore may need to maintain export or import licenses. If the supply of these raw materials, consumables and services is interrupted, our business operation and financial position may be adversely affected.

If we cannot maintain or develop clinical collaborations and relationships with PIs, KOLs, physicians and other industry experts, our results of operations and prospects could be adversely affected.

Our relationships with principal investigators ("**PIs**"), key opinion leaders ("**KOLs**"), physicians and other industry experts play an important role in our research and development and marketing activities. We have established extensive interaction channels with PIs, KOLs, physicians and experts to gain first-hand knowledge of unmet clinical needs and clinical practice trends, which is critical to our ability to develop market-responsive drugs. However, we cannot assure you that we will be able to maintain or strengthen our clinical collaborations and relationships with PIs, KOLs, physicians and other industry experts, or that our efforts to maintain or strengthen such relationships will lead to the successful development and marketing of new products.

These industry participants may leave their roles, change their business or practice focus, choose to no longer cooperate with us or cooperate with our competitors instead. Even if they continue to cooperate with us, their market insights and perceptions, which we take into account in our research and development process, may be inaccurate and lead us to develop drugs that do not have significant market potential. Even if their insights and perceptions are correct, we may fail to develop commercially viable products. Industry participants may no longer want to collaborate with us or attend our conferences, and our marketing strategy may

no longer be able to yield results that are commensurate to our efforts spent. If we are unable to develop and maintain our relationships with industry participants as anticipated, our business, financial condition and results of operations may be materially and adversely affected.

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

Despite our compliance program, which includes internal controls and third-party compliance training, we are exposed to the risk of employee fraud or other misconduct or failure to comply with applicable regulatory requirements. Misconduct by our Directors, employees and independent contractors, such as PIs, consultants, commercial partners, and vendors, could include failures to comply with regulations of the NMPA, FDA or other regulatory authorities, to provide accurate information to such regulators, to comply with manufacturing standards we have established, to comply with healthcare fraud and abuse laws, to report financial information or data accurately or to disclose unauthorized activities to us. In particular, sales, marketing and other business arrangements in the healthcare industry are subject to extensive laws and regulations intended to prevent fraud, misconduct, kickbacks, self-dealing and other abusive practices. These laws and regulations may restrict or prohibit a wide range of business activities, including, but not limited to, research, manufacturing, distribution, pricing, discounting, marketing and promotion, sales commission, customer incentive programs and other business arrangements. Director, employee and independent contractor misconduct could also involve the improper use of individually identifiable information, including, without limitation, information obtained in the course of clinical trials, which could result in regulatory sanctions and serious harm to our reputation.

It is not always possible to identify and deter Director, employee and independent contractor misconduct, and any precautions we take to detect and prevent improper activities may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws. If any such actions are instituted against us, those actions could have a significant impact on our business, including the imposition of significant civil, criminal and administrative penalties, damages, monetary fines, disgorgement of profits, imprisonment, possible exclusion from participation in government healthcare programs, contractual damages, reputational harm, diminished profits and future earnings, additional reporting or oversight obligations if we become subject to a corporate integrity agreement or other agreement to resolve allegations of noncompliance with the law and curtailment or restructuring of our operations, any of which could adversely affect our ability to operate.

RISKS RELATING TO OUR INTELLECTUAL PROPERTY RIGHTS

Obtaining and maintaining our patent protection depends on compliance with various procedural, documents submission, fee payment and other requirements imposed by governmental patent agencies, and our patent protection could be reduced or eliminated for non-compliance with these requirements.

The China National Intellectual Property Administration (the "**CNIPA**") and various governmental patent agencies require compliance with a number of procedural, documentary, fee payment, and other similar provisions during the patent application process. For instance, periodic maintenance fees on any issued patent are due to be paid to the CNIPA and other patent agencies in several stages over the lifetime of the patent. Although an inadvertent lapse can in many cases be cured by payment of a late fee or by other means in accordance with the applicable rules, non-compliance can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. Such non-compliance events may include failure to respond to official actions within prescribed time limits, non-payment of fees, and failure to properly legalize and submit formal documents. In addition, under the PRC patent law, any organization or individual that applies for a patent in a foreign country for an invention or utility model accomplished in China is required to report to the CNIPA for confidentiality examination; otherwise the patent right will not be granted, if an application is later filed in China.

Issued patents covering one or more of our drug candidates or technologies could be found invalid or unenforceable if challenged in court.

Competitors may infringe our patent rights or misappropriate or otherwise violate our intellectual property rights. To counter infringement or unauthorized use, litigation may be necessary in the future to enforce or defend our intellectual property rights, to protect our trade secrets or to determine the validity and scope of our own intellectual property rights or the proprietary rights of others. This can be expensive and time consuming. Any claims that we assert against perceived infringers could also provoke these parties to assert counterclaims against us alleging that we infringe their intellectual property rights. Many of our current and potential competitors have the ability to dedicate substantially greater resources to enforce and/or defend their intellectual property rights than we can. Accordingly, despite our efforts, we may not be able to prevent third parties from infringing upon or misappropriating our intellectual property. An adverse result in any litigation proceeding could put our patents, as well as any patents that may issue in the future from our pending patent applications, at risk of being invalidated, held unenforceable or interpreted narrowly. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, some of our confidential information could be compromised by disclosure during this type of litigation.

Defendant counterclaims alleging invalidity or unenforceability are commonplace, a third party can assert invalidity or unenforceability of a patent on numerous grounds. Third parties may also raise similar claims before administrative bodies in China or abroad, even outside the context of litigation. Such proceedings could result in revocation or amendment to our patents in such a way that they no longer cover and protect our products or product candidates. The outcome following legal assertions of invalidity and unenforceability is unpredictable. With respect to the validity of our patents, for example, we, our patent counsel, and the patent examiner could be unaware of invalidating prior art during prosecution. If a defendant were to prevail on a legal assertion of invalidity and/or unenforceability, we would lose at least part, and perhaps all, of the patent protection on our products or product candidates. Such a loss of patent protection could have a material adverse impact on our business.

If our patent terms expire before or soon after our drug candidates are approved, or if competitors successfully challenge our patents, our business may be materially harmed. Lack of protection under the applicable patent linkage and patent term extension laws and regulations could increase the risk of early generic competition.

Depending on the jurisdiction, various extensions may be available, but the life of a patent, and the protection it affords, is limited. For example, the expiration of a patent is generally 20 years for inventions in China and generally 20 years from the earliest date of filing of the first non-provisional patent application to which the patent claims priority in the U.S. Even if patents covering our drug candidates, their manufacture, or use are obtained, once the patent life has expired, we may be open to competition from competitive medications, including biosimilar medications. Manufacturers of generic or biosimilar drugs may challenge the scope, validity, or enforceability of our patents in court or before a patent office, and we may not be successful in enforcing or defending those intellectual property rights and, as a result, may not be able to develop or market the relevant product exclusively, which would have a material adverse effect on any potential sales of that product. Upon the expiration of our issued patents or patents that may issue from our patent applications, we will not be able to assert such patent rights against potential competitors and our business and results of operations may be adversely affected.

Given the amount of time required for the development, testing and regulatory review of new drug candidates, patents protecting such drug candidates might expire before or shortly after such drug candidates are commercialized. As a result, our owned and in-licensed patents and patent applications may not provide us with sufficient rights to exclude others from commercializing products similar or identical to ours. Even if we believe that we are eligible for certain patent term extensions, there can be no assurance that the applicable authorities, including the FDA and the USPTO in the U.S., and any equivalent regulatory authority in other countries, will agree with our assessment of whether such extensions are available, and such authorities may refuse to grant extensions to our patents, or may grant more limited extensions than we request. For example, depending upon the timing, duration and specifics of any FDA marketing approval of any drug candidates we may develop, one or more of our U.S. patents may be eligible for limited patent term extension under the Drug Price Competition and Patent Term Restoration Action of 1984, or Hatch-Waxman Amendments. The Hatch-Waxman

Amendments permit a patent extension term of up to five years as compensation for the patent term lost during the FDA regulatory review process. A patent term extension cannot extend the remaining term of a patent beyond a total of 14 years from the date of product approval, only one patent may be extended, and only those claims covering the approved drug, a method for using it, or a method for manufacturing it, may be extended. Similarly, the amendment to the PRC Patent Law which was promulgated in October 2020 introduces patent extensions to patents of new drugs that launched in the PRC, which may enable the patent owner to submit applications for a patent term extension of up to a maximum length of five years. However, we may not be granted an extension because of, for example, failing to exercise due diligence during the testing phase or regulatory review process, failing to apply within applicable deadlines, failing to apply prior to expiration of relevant patents, or otherwise failing to satisfy applicable requirements.

Moreover, the applicable time period or the scope of patent protection afforded could be less than we request. If we are unable to obtain a patent term extension or the term of any such extension is less than we request, our competitors may obtain approval of competing products following our patent expiration, and our business could be harmed.

In addition, some of our patents and patent applications are, and may in the future be, co-owned with third parties. If we are unable to obtain an exclusive license to any such third-party co-owners' interest in such patents or patent applications, such co-owners may be able to license their rights to other third parties, including our competitors, and our competitors could market competing products and technology. Besides this, we may need the cooperation of any such co-owners of our patents in order to enforce such patents against third parties, and such cooperation may not be provided to us. Any of the foregoing could have a material adverse effect on our competitive position, business, financial condition, results of operations and prospects.

We may from time to time be involved in legal proceedings and disputes to protect or enforce our intellectual property rights, or defend against infringement and other claims alleged by third parties, which could be expensive, time consuming and unsuccessful.

Despite measures we take to obtain and maintain patent and other intellectual property rights with respect to our drug candidates, our intellectual property rights (including those transferred or licensed from third parties, if any) could be challenged or invalidated. For example, although we believe that we have conducted our patent prosecution in accordance with a duty of candor and in good faith, the outcome following legal assertions of invalidity and unenforceability during patent litigation is unpredictable. On the other hand, competitors or other third parties may infringe or misappropriate our patents and other intellectual property rights. To counter infringement or unauthorized use, we may be required to file infringement claims, which can be expensive and time consuming. In any infringement proceeding, a court may decide that a patent of ours is not valid or is unenforceable, or may refuse to stop the other party from using the technology at issue on the grounds that our patents do not cover the technology in question.

Even if we establish infringement, the court may decide not to grant an injunction against further infringing activity and instead award only monetary damages, which may not be an adequate remedy. Enforcing our intellectual property rights against third parties may also cause such third parties to file other counterclaims against us, which could be costly to defend and could require us to pay substantial damages. In addition, if the breadth or strength of protection provided by our patents and other intellectual property rights is threatened, it could dissuade companies from collaborating with us to license, develop, or commercialize our current or future drug candidates. Any loss of intellectual property protection could have a material adverse impact on one or more of our drug candidates and our business.

An adverse result in any litigation or defense proceedings could put one or more of our intellectual property rights at risk of being invalidated or interpreted narrowly. Even if successful, litigation may result in substantial costs and distraction of our management and other employees. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation.

In addition, there could be public announcements of the results of hearings, motions or other interim proceedings or developments. If the [**REDACTED**], [**REDACTED**] or [**REDACTED**] perceive these results to be negative, or perceive that the presence or continuation of these cases creates a level of uncertainty regarding our ability to increase or sustain products sales, it could have a substantial adverse effect on the [**REDACTED**] of our H Shares. There is no assurance that our drug candidates will not be subject to the same risks.

If we are unable to protect the confidentiality of our trade secrets, our business and competitive position would be harmed. We may be subject to claims that our employees, consultants or advisers have wrongfully used or disclosed alleged trade secrets of their former employers, and we may be subject to claims asserting ownership of what we regard as our own intellectual property.

In addition to our issued patent and pending patent applications, we rely on trade secrets, including unpatented know-how, technology and other proprietary information, to maintain our competitive position and to protect our drug candidates. We seek to protect these trade secrets, in part, by entering into non-disclosure and confidentiality agreements or including such undertakings in agreements with parties that have access to them, such as our employees, consultants, and other third-party corporate partners. We cannot guarantee that we have entered into such agreements with each party that may have or have had access to our trade secrets or proprietary technology and processes. Despite our efforts, any of these parties may breach such agreements and disclose our proprietary information, and we may not be able to obtain adequate remedies for such breaches. Enforcing a claim that a party illegally disclosed or misappropriated a trade secret can be difficult, expensive and time consuming, and the outcome is unpredictable. If any of our trade secrets were lawfully obtained or independently developed by a competitor, we would have no right to prevent them from using that technology or information to compete with us and our competitive position would be harmed.

Furthermore, certain of our employees were previously employed at other pharmaceutical companies, including our competitors or potential competitors. Some of these employees might have executed proprietary rights, non-disclosure and non-competition agreements in connection with such previous employment. Although we try to ensure that our employees do not use the proprietary information or know-how of others in their work for us, we may be subject to claims that we or these employees or consultants have used or disclosed intellectual property, including trade secrets or other proprietary information, of any such individuals' former employer. We are not aware of any material threatened or pending claims related to these matters or concerning our senior management as of the Latest Practicable Date, but in the future litigation may be necessary to defend against such claims. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management.

In addition, while we typically require our employees involved in the development of intellectual property to execute agreements assigning such intellectual property to us, we may be unsuccessful in executing such an agreement with each party who in fact develops intellectual property that we regard as our own. The assignment of intellectual property rights may not be self-executing, or the assignment agreements may be breached, which may result in claims by or against us related to the ownership of such intellectual property. If we fail in prosecuting or defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights. Even if we are successful in prosecuting or defending against such claims, litigation could result in substantial costs and be a distraction to our management and scientific personnel.

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

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

adopting, registering or using trademarks and trade dress that infringe, dilute or otherwise violate our trademark rights, or engaging in conduct that constitutes unfair competition, defamation or other violation of our rights, our business could be materially adversely affected.

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

Intellectual property and other laws and regulations are subject to change, which could diminish the value of our intellectual property in general, thereby impairing our ability to protect our current and any future drug candidates.

As is the case with other pharmaceutical companies, our success is heavily dependent on obtaining, maintaining, enforcing and defending intellectual property, particularly patents. Obtaining and enforcing patents in the pharmaceutical industry involves technological and legal complexity, and obtaining and enforcing pharmaceutical patents is costly, time-consuming and inherently uncertain. Changes in either the patent laws or their interpretation in China, the U.S. or other jurisdictions may increase the uncertainties and costs surrounding the prosecution of our patents, diminish our ability to protect our inventions, obtain, maintain, defend, and enforce our intellectual property rights and, more generally, affect the value of our intellectual property or narrow the scope of our patent rights.

In China, intellectual property laws are constantly evolving, with efforts being made to improve intellectual property protection in China. For example, the fourth Amendments to the PRC Patent Law was put into effect on June 1, 2021, provides a patent term extension and patent term adjustment. Patent term extension of up to five years is available to invention patents claiming new drugs, to compensate for the time occupied by review and approval for marketing the new drugs. Patent term adjustment is available to all invention patents, to compensate unreasonable delays caused by CNIPA during the patent examination procedures. The third Amendments to Implementing Rules of the Patent Law of the People's Republic of China put into effect on January 20, 2024, and stipulated detailed implementation rules for patent term extension and adjustment, including for example, the eligible type of patents, requirements for the application for patent term extension and adjustment, how to calculate the

extension, and limitations during the extended patent term. As a result, patents owned by third parties eligible for submitting applications for a patent term extension or adjustment may be extended, which may in turn affect our ability to commercialize our drug candidates without facing infringement risks. 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 drug candidates non-competitive. We cannot guarantee that any other future changes to PRC intellectual property laws would not have a negative impact on our intellectual property protection.

Under the America Invents Act, enacted in 2011, the U.S. moved to First Inventor to File system under which the first to make the claimed invention was entitled to the patent. Assuming the other requirements for patentability are met, the first to file a patent application is entitled to the patent. Publications of discoveries in the scientific literatures often lag behind the actual discoveries, and patent applications in the U.S. and other jurisdictions are typically not published until 18 months after filing, or in some cases not at all. Therefore, we cannot be certain that we were the first to make the inventions claimed in our patents or pending patent applications, or that we were the first to file for patent protection of such inventions.

In addition to increasing uncertainty with regard to our ability to obtain patents in the future, this combination of events has created uncertainty with respect to the value of patents once obtained, if any. Depending on decisions by the U.S. Congress, the federal courts and the USPTO, the laws and regulations governing patents could change in unpredictable ways that could weaken our ability to obtain new patents or to enforce our existing patents and patents that we might obtain in the future. There could be similar changes in the laws of foreign jurisdictions that may impact the value of our patent rights or our other intellectual property rights. Any of the foregoing could have a material adverse effect on our patent rights and our ability to protect, defend and enforce our patent rights in the future, as well as on our competitive position, business, financial condition, results of operations and prospects.

RISKS RELATING TO EXTENSIVE GOVERNMENT REGULATIONS

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

All jurisdictions in which we intend to conduct our pharmaceutical-industry activities regulate these activities in great depth and detail. We intend to implement a global development strategy, with a focus on China, the U.S. and Europe, the major pharmaceutical markets in the world. These jurisdictions strictly regulate the pharmaceutical industry, and in doing so they employ a broad range of strategies, including regulation of product development and approval, manufacturing, and marketing, sales and distribution of products. Evolutions and differences in these regulatory regimes could lead to an increased and costly regulatory compliance burden.

We are required to obtained and maintain certain licenses and permits for conducting our business. The process of obtaining regulatory approvals and compliance with appropriate laws, regulations and guidance requires the expenditure of substantial time and financial resources. If any regulatory authorities consider that we were operating without the requisite approvals, licenses or permits or promulgates new laws and regulations that require additional approvals or licenses or imposes additional restrictions on the operation of any part of our business, it has the power, among other things, to levy fines, confiscate our income, revoke our business licenses, and require us to discontinue our relevant business or impose restrictions on the affected portion of our business. In particular, failure to comply with the applicable requirements at any time during the product development process and approval process, or after approval, may subject an applicant to administrative or judicial sanctions. These sanctions could include refusal to approve pending applications, withdrawal of an approval, license revocation; clinical hold, voluntary or mandatory product recalls, product seizures; total or partial suspension of production or distribution, injunctions, fines, refusals of government contracts, restitution and disgorgement, or other civil or criminal penalties. Failure to comply with these laws, regulations and guidance could have a material and adverse effect on our business and prospects.

In many countries or regions where a drug is intended to be ultimately sold, including without limitation, China, the U.S. and Europe, the relevant government agencies and industry regulatory bodies impose high standards on the efficacy of such drug, as well as strict rules, regulations and industry standards on how we develop such drug. For example, we may need to obtain clearance from the NMPA, the FDA or other regulatory authorities as part of an IND application to seek authorization to begin clinical trials, and file a NDA or other similar applications to seek marketing approval. Any failure to comply with existing laws, regulations and industry standards could result in fines or other punitive actions against us, the termination of ongoing research and the disqualification of data for submission to regulatory authorities, or a ban on the future sales of our drugs, 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 the operation of our business, and adversely affect our reputation and financial results.

The regulatory approval processes of the NMPA, the FDA and other comparable regulatory authorities are time-consuming and may evolve over time. If we are unable to obtain without undue delay any regulatory approvals for our drug candidates in our target markets, our business may be subject to actual or perceived harm.

The time required to obtain the approval of the NMPA, FDA and other comparable regulatory authorities is uncertain and depends on numerous factors, including the substantial discretion of the regulatory authorities. Generally, such approvals take years to be obtained following the commencement of preclinical studies and clinical trials. In addition, approval policies, regulations or the type and amount of clinical data necessary to gain approval may change during the course of a drug candidate's clinical development and may vary among

jurisdictions. We cannot guarantee that we will be able to obtain regulatory approvals for our other existing drug candidates or any drug candidates we may discover, in-license or acquire and seek to develop in the future. Our drug candidates could fail to receive the regulatory approval of the NMPA, FDA or a comparable regulatory authority for many reasons, including but not limited to:

- disagreement with the design or implementation of our clinical trials;
- failure to demonstrate that a drug candidate is safe and effective and potent for its proposed indication;
- failure of our clinical trial results to meet the level of statistical significance required for approval;
- failure of our clinical trial process to pass relevant GCP inspections;
- disagreement with our interpretation of data from preclinical studies or clinical trials;
- insufficient data collected from the clinical trials of our drug candidates to support the submission and filing of a NDA or other submissions or to obtain regulatory approval;
- failure of our drug candidates to pass cGMP, inspections during the regulatory review process or across the production cycle of our drug candidates;
- failure of our clinical sites to pass audits carried out by the NMPA, FDA or other comparable regulatory authorities, resulting in a potential invalidation of our research data;
- changes in approval policies or regulations that render our preclinical and clinical data insufficient for obtaining approvals; or
- failure of our clinical trial process to keep up with any scientific or technological advancements required by approval policies or regulations.

The NMPA, FDA or a comparable regulatory authority may require more information, including additional preclinical or clinical data, to support approval, which may delay or prevent approval and our commercialization plans. Even if we were to obtain approval, regulatory authorities may approve any of our drug candidates for fewer or more limited indications than we request, grant approval contingent on the performance of costly post-marketing clinical trials, or approve a drug candidate with an indication that is not desirable for the successful commercialization of that drug candidate. Legislative and regulatory proposals may also, from time to time, be made to expand existing requirements. For example, increased scrutiny by the United States Congress of the FDA's approval process may

significantly delay or prevent marketing approval, and potentially introduce more stringent product labeling and post-marketing conditions. Any of the foregoing scenarios could materially harm the commercial prospects of our drug candidates.

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

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

As of the Latest Practicable Date, KJ103, one of our Core Products, has received the Breakthrough Therapy Designation from the NMPA. For details, see "Business — Our Drug Candidates." There can be no assurance, however, that the regulatory authorities will consider granting BTD or other expedited review programs for our other or future drug candidates, or that we will decide to pursue or submit any applications for accelerated approvals or any other form of expedited development, review or approvals. Similarly, there can be no assurance that, after receiving feedback from the regulatory authorities, we will continue to pursue or apply for accelerated approvals or any other form of expedited development, review or approvals, even if we initially decide to do so. Furthermore, there can be no assurance that such a submission or application will be accepted for filing, or that any expedited development, review or approvals will be granted on a timely basis, or at all. Any failure to obtain accelerated approvals or any other form of expedited development, review or approvals for our drug candidates could result in a longer period of time prior to the commercialization of such drug candidate, an increase in the development expenses for such drug candidate and an adverse impact on our competitive position in the market.

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

If the NMPA, FDA or a comparable regulatory authority approves any of our drug candidates, the manufacturing processes, labeling, packaging, distribution, adverse event reporting, storage, advertising, promotion and record-keeping for the drug will be subject to

extensive and ongoing regulatory requirements on pharmacovigilance. These requirements include submissions of safety and other post-marketing information and reports, registration, random quality control testing, adherence to any chemistry, manufacturing, and controls, or CMC, specifications, continued compliance with cGMP, and GCP and potential post-approval studies for the purposes of license renewal.

Any approvals that we receive for our drug candidates may be subject to limitations on the approved indicated uses for which the drug may be marketed or to the conditions of approval, which could adversely affect the drug's commercial potential or contain requirements for potentially costly post-marketing testing and surveillance to monitor the safety and efficacy of the drug candidates. The NMPA, FDA or a comparable regulatory authority may also require a risk evaluation mitigation strategy program as a condition of approval of our drug candidates or following approval. In addition, if the NMPA, FDA or a comparable regulatory authority approves our drug candidates, we will have to comply with requirements, including, for example, submissions of safety and other post-marketing information and reports, registration, as well as continued compliance with cGMP and GCP, for any clinical trials that we conduct post-approval.

A conditional marketing approval achieved through single-arm study design will typically have conditions that require the drug developer to obtain and report additional clinical data after the commercial launch of the approved drug to further confirm its efficacy and safety. The NMPA will grant a full marketing approval if the additional clinical data fulfills the requirements for a normal marketing approval. If our drug candidate is conditionally approved through single-arm trial design for accelerated marketing, we will need to discuss and reach consensus with the NMPA on details of the post-approval research pursuant to the relevant laws in China.

Moreover, regulatory policies may change or additional government regulations may be enacted that could prevent, limit or delay regulatory approval of our drug candidates. If we are not able to maintain regulatory compliance, we may lose the regulatory approvals that we have already obtained and may not achieve or sustain profitability, which in turn could significantly harm our business, financial condition and prospects. The NMPA, FDA and other regulatory authorities strictly regulate the marketing, labelling, advertising and promotion of products that are placed on the market. Drugs may be promoted only for their approved indications and for use in accordance with the provisions of the approved label. The NMPA, FDA and other regulatory authorities actively enforce the laws and regulations prohibiting the promotion of off-label uses, and a company that is found to have improperly promoted off-label uses may be subject to significant liability.

Our failure to maintain or renew our drug manufacturing license, or other licenses, permits and certificates required for our business may materially and adversely affect our business, financial condition and results of operations.

Pursuant to relevant laws and regulations, we are required to obtain and maintain various licenses, permits and certificates from relevant authorities to operate our business. For example, our Company and certain PRC subsidiary hold the Drug Manufacturing Certificates (藥品生產許可證) issued by competent governmental authorities, which is necessary for the operation of our manufacturing facilities. Some of these licenses, permits and certificates are subject to periodic renewal and/or reassessment by the relevant authorities, and the standards of such renewal and/or reassessment may change from time to time. Any failure to obtain or renew any licenses, permits and certificates necessary for our operations may result in enforcement actions thereunder, including orders issued by the relevant regulatory authorities suspending our operations, and corrective measures requiring capital expenditure or remedial actions, which in the future could materially and adversely affect our business, financial condition and results of operations.

Furthermore, if the interpretation or implementation of existing laws and regulations changes, or new laws or regulations come into effect, requiring us to obtain any additional licenses, permits and certificates that were previously not required to operate our existing businesses, we cannot assure you that we will successfully obtain such licenses, permits and certificates. Our failure to obtain the additional licenses, permits and certificates may restrict the conduct of our business, decrease our revenues and/or increase our costs, which could materially reduce our profitability and prospects.

We may be directly or indirectly subject to applicable anti-kickback, false claims laws, doctor payment transparency laws, fraud and abuse laws or similar healthcare and security laws and regulations in China and other jurisdictions, which could expose us to administrative sanctions, criminal sanctions, civil penalties, contractual damages, reputational damage and diminished profits and future earnings.

If we obtain approval from the NMPA or other comparable regulatory authorities approval for any of our drug candidates and begin commercializing those drug candidates in China and our other target markets, our operations may be subject to various fraud and abuse laws of various jurisdictions, including but not limited to, the PRC Anti-Unfair Competition Law (《中華人民共和國反不正當競爭法》), the PRC Criminal Law (《中華人民共和國刑法》), the Federal Anti-Kickback Statute and the Federal False Claims Act, and the physician payment sunshine laws and regulations. There are ambiguities as to what is required to comply with any of these requirements, and violations of such fraud and abuse laws may be punishable by criminal and/or civil sanctions, including penalties, fines and/or exclusion or suspension from governmental healthcare programs and debarment from contracting with the relevant government. Moreover, as law enforcement authorities have been increasingly focused on enforcing these laws, efforts to ensure that our business arrangements with third parties comply with applicable healthcare laws and regulations will involve substantial costs.

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

We are subject to numerous environmental, health and safety laws and regulations, including but not limited to the treatment and discharge of pollutants into the environment, the use of toxic and hazardous chemicals in the process of our business operations and fire prevention. Our operations involve the use of hazardous and flammable materials, including chemicals and biological materials. Our operations also produce hazardous waste products. We contract with third parties for the disposal of these materials and wastes. We cannot fully eliminate the risk of accidental contamination, biological or chemical hazards or personal injury at our facilities during the process of discovery, testing, development and manufacturing of our drug candidates. In the event of such accident, we could be held liable for damages and clean-up costs which, to the extent not covered by existing insurance or indemnification, could harm our business. We may also be forced to close or suspend operations at certain of our affected facilities temporarily or permanently. As a result, any accidental contamination, biological or chemical hazards or personal injury could have a material and adverse impact on our business, financial condition, results of operations and prospects.

We also could incur significant costs associated with civil or criminal fines and penalties for failure to comply with such laws and regulations. In addition, we may incur substantial costs in order to comply with current or future environmental, health, and safety laws and regulations. These current or future laws and regulations may impair our drug candidate R&D program efforts. Moreover, there is increasing stakeholder pressure on companies to diligence environmental, social, and governance matters in the supply chain. Negative publicity regarding production methods, alleged practices or workplace or related conditions of any of our suppliers, CROs, CDMOs or other third parties who perform services for us could adversely affect our reputation and force us to locate alternatives, which could increase our costs and result in delayed supply of components for, and manufacturing of, our drug candidates, or other disruptions to our operations.

In terms of the construction of our R&D, manufacturing or other facilities, they can be put into operation after the relevant administrative authorities in charge of environmental protection and health and safety examine and approve such facilities. We cannot assure you that we will be able to obtain all the regulatory approvals for our construction projects in a timely manner, or at all. Delays or failures in obtaining all the requisite regulatory approvals for our construction projects may affect our abilities to develop, manufacture and commercialize our drug candidates as we plan.

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

We and the CROs we engage may routinely receive, collect, generate, store, process, transmit and maintain medical data, treatment records and other personal details of subjects enrolled in our clinical trials, along with other personal or potentially sensitive information. As such, we are subject to the relevant local, state or provincial, national and international data protection and privacy laws, directives, regulations and standards that apply to the collection, use, retention, protection, disclosure, transfer and other processing of personal information in the various jurisdictions in which we operate and conduct our clinical trials, as well as contractual obligations. These data protection and privacy law regimes continue to evolve and may result in ever-increasing public scrutiny and escalating levels of enforcement and sanctions and increased costs of compliance including, for example, substantial operational costs associated with changes to our data processing practices. Failure to comply with any of these laws could result in enforcement action against us, including and without limitation to fines, imprisonment of company officials and public censure, claims for damages by customers and other affected individuals, damage to our reputation and loss of goodwill, any of which could have a material and adverse effect on our business, financial condition, and results of operations or prospects.

The personal information of patients or subjects which might be involved in our clinical trials could be highly sensitive and we are subject to strict requirements under the applicable privacy protection regulations in the relevant jurisdictions. While we have adopted security policies and measures to protect our proprietary data and patients' privacy, such policies and measures might not satisfy all the requirements in every respect under the applicable laws and regulations. Data leakage and abuse and other misconduct related to data and personal information protection might not be completely avoided, due to hacking activities, human error, employee misconduct or negligence or system breakdown, among other reasons. We also cooperate with hospitals, CROs and other business partners, licensees, contractors and consultants for our clinical trials and operations. Any leakage or abuse of patient data by our third-party partners may be perceived by the patients as a result of our failure. Any failure or perceived failure by us to prevent information security breaches or to comply with data/privacy policies or data/privacy-related legal obligations, or any compromise of information security that results in the unauthorized release or transfer of personal information or other patient data, could cause our customers to lose trust in us and could expose us to legal claims.

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

In China, the U.S. and other jurisdictions, there have been, and we expect there will continue to be, a number of legislative and regulatory changes relating to the pharmaceutical industry and the healthcare system, including cost-containment measures that may reduce or limit coverage and reimbursement for newly approved drugs and affect our ability to profitably sell any drug candidates for which we obtain marketing approval. See "— Even if we are able

to commercialize any approved drug candidates, reimbursement may be limited or unavailable in certain market segments for our drug candidates, and we may face uncertainties from national, provincial or other third-party drug reimbursement practices and unfavorable drug pricing policies or regulations, which could harm our business." in this section.

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

OTHER RISKS RELATING TO OUR FINANCIAL POSITION AND NEED FOR ADDITIONAL CAPITAL

We are a clinical-stage biopharmaceutical company with a limited operating history, which may make it difficult to evaluate our current business and predict our future performance.

We are a clinical-stage biopharmaceutical company with a relatively short operating history. Our operations to date have focused on business planning, raising capital, establishing our drug portfolio and conducting clinical trials of our drug candidates. Most of our drug candidates were still at various stages of development and we had not commercialized any of our drug candidates as of the Latest Practicable Date. Our limited operating history, particularly in the rapidly evolving pharmaceutical industry, may make it difficult to evaluate our current business and reliably predict our future performance. Our future financial performance will depend, in part, on our ability to effectively manage our recent growth and any future growth. We might not be able to effectively manage the expansion of our operations, which may result in weaknesses in our infrastructure, operational inefficiencies, loss of business opportunities, loss of employees and reduced productivity among remaining employees. We may encounter unforeseen expenses, difficulties, complications, delays and other known and unknown factors. If we do not address these risks and difficulties successfully, our business will suffer. These risks may cause potential [**REDACTED**] to lose substantially all of their [**REDACTED**] in us.

We have indebtedness and may incur additional indebtedness in the future, which may materially and adversely affect our financial condition and results of operations.

We generally maintain bank borrowings to finance our operations. As of December 31, 2023 and September 30, 2024, we had interest-bearing bank borrowings of RMB110.1 million and RMB179.0 million, respectively. We also had lease liabilities of RMB1.0 million and RMB2.4 million, respectively, as of the same dates. We may incur additional indebtedness in the future, and may not be able to generate sufficient cash to satisfy our existing and future debt obligations.

Our indebtedness could have a material adverse effect on us by, among others, increasing our vulnerability to adverse developments in general economic or industry conditions, such as significant increases in interest rates, and limiting our flexibility in making changes in our business and operations. Our borrowings may subject us to certain restrictive covenants which may restrict or otherwise adversely affect our operations. These covenants may restrict our ability to, among others, incur additional debt, provide loans or guarantees, provide security and quasi-security, incur liens, dispose of material assets through sale, lease or other methods, pay dividends or distributions on certain of our subsidiaries' capital stock, repay or transfer certain indebtedness, reduce registered capital, make investments and acquisitions, establish joint ventures, conduct mergers, consolidation and other change-of-control transactions, and file for bankruptcy or dissolution. In addition, some of the loans may have restrictive covenants linked to our financial performance, such as maintaining a prescribed maximum debt-to-asset ratio or minimum profitability levels during the term of the loans.

The discontinuation of any government grants or preferential tax treatment currently available to us may adversely affect our business, financial condition and results of operations.

We benefited from government grants and preferential tax treatment during the Track Record Period. We recorded government grants of RMB6.3 million and RMB1.5 million in 2023 and the nine months ended September 30, 2024, respectively. Such government grants included a variety of subsidies in support of our research and development activities and business operations. Additionally, our Company and certain PRC subsidiaries were accredited as "high and new technology enterprises" and subject to a preferential income tax rate of 15% during the Track Record Period.

We cannot assure you that we will continue to receive government grants or preferential tax treatment at the existing levels, or at all. The relevant authorities may issue administrative decisions or modify government policies that reduce the amount of government grants and preferential tax treatment that has been available to us, or end our eligibility to receive such financial subsidies. The discontinuation of government grants or preferential tax treatment currently available to us may adversely affect our results of operations and prospects. Further, prospective [**REDACTED**] should note that should there be any changes in the amounts of our government grants and preferential tax treatment in a given year, our financial performance for that period may not be directly comparable to our historical financial results.

We are subject to credit risks arising from trade receivables and prepayments, other receivables and other assets.

As of December 31, 2023 and September 30, 2024, we recorded trade receivables of RMB2.0 million and RMB2.0 million, respectively. As of the same dates, we had prepayments, other receivables and other assets of RMB35.7 million and RMB44.3 million, respectively. We may be exposed to credit risk with our counterparties and may not be able to collect all of such receivables due to a variety of factors that are outside of our control. If the relationship between us and any of our counterparties is terminated or deteriorated, or if our counterparties experience financial or operational difficulties, the recoverability of our receives may be negatively affected, which may have a material and adverse effect on our business, financial condition and results of operations.

Share-based payments may impact our financial performance and cause shareholding dilution to our existing Shareholders.

We operate [**REDACTED**] Share Incentive Plans for the benefit of our Directors, senior management and core employees as remuneration for their services provided to us and to incentivize and reward the eligible persons who have contributed to the success of our Company. For further details, see "History, Development and Corporate Structure — Share Incentive Platforms" and "Appendix VII — Statutory and General Information — C. Further Information about the Directors, Supervisors, Senior Management and Substantial Shareholders — 5. [**REDACTED**] Share Incentive Plans." We recorded share-based payments of nil and RMB113.2 million in 2023 and the nine months ended September 30, 2024, respectively.

To further incentivize our Directors, senior management and core employees, we may incur additional share-based payments in the future. Expenses incurred with respect to such share-based payments may also increase our operating expenses and therefore have a negative effect on our financial performance. [**REDACTED**] of additional H Shares with respect to such share-based payments may dilute the shareholding of our Shareholders and could result in a decline in the [**REDACTED**] of our H Shares.

Our property valuation is based on certain assumptions which, by their nature, are subjective and uncertain and may materially differ from actual results.

Valuations of our properties as of November 30, 2024 prepared by AVISTA, an independent property valuer, are set forth in the Report set out as Appendix III to this Document. The valuations are made based on assumptions which, by their nature, are subjective and uncertain and may differ from actual results. In addition, unforeseeable changes in general and local economic conditions or other factors beyond our control may affect the value of our properties. As a result, the valuation of our properties may differ materially from the price we could receive in an actual sale of the properties in the market and should not be taken as their actual realizable value or an estimation of their realizable value.

Fluctuations in exchange rates of the Renminbi could result in foreign currency exchange losses.

Certain of our cash and cash equivalents are denominated in foreign currencies. Therefore, we are exposed to foreign currency risk. The [**REDACTED**] from the [**REDACTED**] will be received in HKD. As a result, any appreciation of RMB against HKD may result in the decrease in the value of our [**REDACTED**] from the [**REDACTED**]. The exchange rate of RMB against HKD and other foreign currencies is affected by, among other things, the policies of the PRC Government and changes in China's and international political and economic conditions, as well as supply and demand in the local market. It is difficult to predict how market forces or government policies may impact the exchange rate between RMB, USD, HKD or other currencies in the future. There remains significant international pressure on the PRC Government to adopt a more flexible currency policy, which, together with domestic policy considerations, could result in a significant appreciation of RMB against USD, HKD or other foreign currencies.

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

Disruptions in the financial markets and economic conditions could affect our ability to raise capital.

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

In addition, concerns over the recent conflicts in the Middle East, Russian-Ukraine conflicts, and unrest and terrorist threats in other territories, among others, add uncertainties to the financial markets worldwide. It is unclear whether these challenges and uncertainties will be contained or resolved, and what effects they may have on the global political and economic conditions in the long term. See also "— We may be exposed to risks of conducting our business and operations in international markets."

OTHER RISKS RELATING TO OUR OPERATIONS

The loss of any key members of our senior management team or our inability to attract, hire and retain highly skilled scientists, clinical and sales personnel could delay or prevent the successful development of our drug candidates and result to a material and adverse effect on our business and results of operations.

Our commercial success depends significantly on the continued service of our senior management. For more details of our senior management, see the paragraphs headed "Directors, Supervisors and Senior Management" in the Document. The loss of any of our senior management could have a material adverse effect on our business and operations. Although we have formal employment agreements with each of our executive officers, these agreements do not prevent our executives from terminating their employment with us at any time.

Recruiting and retaining qualified scientific, technical, clinical, sales and marketing personnel in the future will also be critical to our success. To retain valuable employees, in addition to salary and cash incentives, we have provided share incentives that vest over time. The value to employees of these equity grants that vest over time may be significantly affected by movements in the [**REDACTED**] of our H Shares that are beyond our control and may, at any time, be insufficient to counteract more lucrative [**REDACTED**] from other companies. The loss of the services of our executive officers or other key employees and consultants could impede the achievement of our research, development and commercialization objectives and seriously harm our ability to successfully implement our business strategy.

Although we have not historically experienced unique difficulties attracting and retaining qualified employees, we could experience such problems in the future. Competition for qualified employees in the pharmaceutical industry is intense and the pool of qualified candidates is limited. We may not be able to retain the services of, or attract and retain, experienced senior management or key scientific and clinical personnel in the future. The departure of one or more of our senior management or key scientific and clinical personnel, regardless of whether or not they join a competitor or form a competing company, may subject us to risks relating to replacing them in a timely manner or at all, which may disrupt our drug development progress and have a material and adverse effect on our business and results of operations.

Furthermore, replacing executive officers, key employees or consultants may be difficult and may take an extended period of time because of the limited number of individuals in our industry with the breadth of skills and experience required to successfully develop, gain regulatory approval of and commercialize products like those we develop. Competition to hire from this limited pool is intense, and we may be unable to hire, train, retain or motivate these key personnel or consultants on acceptable terms given the competition among numerous pharmaceutical and biopharmaceutical companies for similar personnel. To compete effectively, we may need to offer higher compensation and other benefits, which could materially and adversely affect our financial condition and results of operations. In addition,

we may not be successful in training our professionals to keep pace with technological and regulatory standards. Any inability to attract, motivate, train or retain qualified scientists or other technical personnel may have a material adverse effect on our business, financial condition, results of operations, cash flows and prospects.

We have significantly increased, and may need to keep increasing, the size and capabilities of our organization, and we may experience difficulties in managing our growth. If we fail to effectively manage our anticipated growth or execute on our growth strategies, our business, financial condition, results of operations and prospects could suffer.

Since our inception in 2019, we have made significant strides in expanding our organization and enhancing our operational capabilities. As of September 30, 2024, we had a total of 311 full-time employees. Our future financial performance and our ability to commercialize our drug candidates will depend, in part, on our ability to effectively manage our recent growth and any future growth. We might not be able to effectively manage the expansion of our operations, which may result in weaknesses in our infrastructure, operational inefficiencies, loss of business opportunities, loss of employees and reduced productivity among remaining employees. Our management may also have to divert a disproportionate amount of its attention away from day-to-day activities in order to devote a substantial amount of time to managing these growth activities.

As our development and commercialization plans and strategies evolve, we must add a significant number of additional managerial, operational, manufacturing, sales, marketing, financial and other personnel. Our recent growth and any future growth will impose significant added responsibilities on our management, including but not limited to:

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

If we are not able to effectively manage our growth and further expand our organization by hiring new employees and expanding our groups of consultants and contractors as needed, we may not be able to successfully implement the tasks necessary to further develop and commercialize our drug candidates and, accordingly, may not achieve our research, development and commercialization goals. Our failure to do so could materially adversely affect our business, financial condition, results of operations and prospects.

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

From time to time, we may evaluate various acquisitions and strategic partnerships, including licensing or acquiring complementary products, intellectual property rights, technologies or businesses. Any completed, in-process or potential acquisition or strategic partnership may entail numerous risks, including:

- increased operating expenses and cash requirements;
- the assumption of additional indebtedness or contingent or unforeseen liabilities;
- the issuance of our equity securities;
- assimilation of operations, intellectual property and products of an acquired company, including difficulties associated with integrating new personnel;
- the diversion of our management's attention from our existing product programs and initiatives in pursuing such a strategic merger or acquisition;
- retention of key employees, the loss of key personnel, and uncertainties in our ability to maintain key business relationships;
- risks and uncertainties associated with the other party to such a transaction, including the prospects of that party and their existing drugs or drug candidates and regulatory approvals; and
- our inability to generate revenue from acquired technology or products sufficient to meet our objectives in undertaking the acquisition or even to offset the associated acquisition and maintenance costs.

In addition, if we undertake acquisitions, we may issue dilutive securities, assume or incur debt obligations, incur large one-time expenses, and acquire intangible assets that could result in significant future amortization expense.

According to the Anti-Monopoly Law of PRC (《中華人民共和國反壟斷法》) and the Provisions of the State Council on Thresholds for Prior Notification of Concentrations of Undertakings (《國務院關於經營者集中申報標準的規定》), issued by the 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 to exert decisive impact on another market player must also be filed in advance to the SAMR when the threshold is crossed and such concentration shall not be implemented without the clearance of prior filing.

We may be exposed to risks of conducting our business and operations in international markets.

International markets are an important component of our growth strategy. We plan to advance our multi-faceted business model combining self-development, collaboration and excipient supply, and pursue and strengthen strategic partnership with pharmaceutical companies over the world. We actively seek to reach and expand strategic relationships with international and domestic leading pharmaceutical companies to advance the global development and commercialization of our pipeline assets.

However, such activities may subject us to additional risks that may materially adversely affect our ability to attain or sustain profitable operations, including but not limited to:

- efforts to enter into collaboration or licensing arrangements with third parties may increase our expenses or divert our management's attention from the development of drug candidates;
- changes in a specific country's or region's political and cultural climate or economic condition;
- differing regulatory requirements for drug approvals and marketing internationally;
- difficulty of effective enforcement of contractual provisions in local jurisdictions;
- potentially reduced protection for intellectual property rights;
- unexpected changes in tariffs, trade barriers and regulatory requirements;
- compliance with tax, employment, immigration and labor laws for employees traveling abroad; and
- business interruptions resulting from geo-political actions, including war and terrorism, or natural disasters, including earthquakes, volcanoes, typhoons, floods, hurricanes and fires.

These and other risks may materially adversely affect our ability to attain or sustain revenue and profits from international markets.

We have been, and may from time to time become, involved in claims, disputes, litigation, arbitration or other legal proceedings in the ordinary course of business, which could adversely affect our business, financial conditions, results of operations and reputation.

We have been, and may from time to time become, involved in claims, disputes, litigation, arbitration or other legal proceedings in our ordinary course of business. These may concern issues relating to, among others, product liability, privacy protection, environmental and safety matters, ownership disputes, breach of contract, employment or labor disputes and intellectual property rights. For example, we are currently involved in certain pending litigations arising from the performance of certain contracts which would not have any material adverse effect on our business, financial condition or results of operations. We are actively advocating for our contractual rights in the proceeding, and the proceedings were still ongoing as of the Latest Practicable Date. Litigation to which we have or subsequently become a party might result in substantial costs and divert management's attention and resources. Furthermore, any litigations, legal disputes, claims or administrative proceedings that may initially not appear to be of material importance may escalate and become important to us due to a variety of factors, such as the facts and circumstances of the cases, the likelihood of winning or losing, the monetary amount at stake and the parties involved. Additionally, it is possible that our liabilities could exceed our insurance coverage or that our insurance will not cover all situations in which a claim against us could be made. We may not be able to maintain insurance coverage at a reasonable cost or obtain insurance coverage that will be adequate to satisfy any liability that may arise. A claim brought against us that is uninsured or underinsured could result in unanticipated costs and could have a material and adverse effect on our financial condition, results of operations or reputation.

We are subject to risks associated with our owned or leased properties.

We have owned properties in connection with our business operations. We have obtained the land use right certificate and building ownership certificate for our existing manufacturing facilities located in Shanghai. Moreover, we have obtained the land use right certificate for our new manufacturing facilities under development, and expect to obtain the relevant building ownership certificate upon completion of construction and inspection. See "Business — Land and Properties — Owned Properties." However, we cannot guarantee that our construction project will be completed or that the relevant certificates will be obtained as planned, or at all. There can be no assurance that we will not be subject to any punishment, challenges, lawsuits or other actions taken against us with respect to these properties.

We have also leased certain properties used as office premises, laboratories, and employee dormitories in the PRC. Pursuant to PRC laws, both lessors and lessees are required to file the lease agreements with relevant authorities for record and obtain property leasing filing certificates for their leases. The failure to file and obtain property leasing filing certificates for such leases within the prescribed time period, as required under PRC laws, may subject us to a fine ranging from RMB1,000 to RMB10,000 for each agreement not filed. As of the Latest Practicable Date, all of our leases have been filed or are currently undergoing filling process with the relevant PRC authorities. For any future leases, however, we cannot guarantee that the

lessors of the leased properties will have valid title or the legal rights to such leased properties or will have complied with all the necessary property leasing procedures. In addition, as our leases expire, we may fail to obtain renewals, either on commercially acceptable terms or at all, which could compel us to close such office premises, laboratories, and employee dormitories. Our inability to enter into new leases or renew existing leases on terms acceptable to us could materially and adversely affect our business, results of operations or financial condition.

Any failure to comply with the PRC regulations regarding mandatory social insurance and housing provident fund contributions may subject us to fines and other legal or administrative sanctions.

According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) which was last amended on December 29, 2018 and other applicable PRC regulations, any employer operating in China must open social insurance registration accounts and contribute social insurance premium for its employees. Any failure to open social insurance registration account may trigger an order of correction where correction is not made within a specified period of time, the competent authority may further impose fines. Any failure to make timely and adequate contribution of social insurance premium for its employees may trigger an order of correction from competent authority requiring the employer to make up the full contribution of such overdue social insurance premium within a specified period of time, and the competent authority may further impose fines or penalties. According to the Regulations on the Administration of Housing Provident Funds (《住房公積金管理條例》), as amended in 2002 and 2019, the relevant housing fund authority may order an enterprise to pay outstanding contributions within a prescribed time limit.

During the Track Record Period, we made full contributions to mandatory social insurance and housing provident fund for our employees in accordance with relevant PRC laws and regulations. As of the Latest Practicable Date, no competent government authorities had imposed administrative action, fine or penalty to us with respect to mandatory social insurance and housing provident fund contributions. However, we cannot assure you that we will not be subject to any penalty, or order to rectify potential non-compliance in this regard in the future. We may incur additional expenses to comply with such laws and regulations.

Increased labor costs could result in exceeding expenses, slow our growth and affect our profitability.

Our success depends in part upon our ability to attract, motivate and retain a sufficient number of qualified employees, including management, technical, research and development, production, quality control and other personnel. We face intense competition in recruiting and retaining qualified personnel, as competitors are competing for the same pool of qualified personnel and our remuneration packages may not be as competitive as those of our competitors. Increasing market competition may cause market demand and competition for qualified employees to intensify. If we face labor shortages or significant increases in labor costs, higher employee turnover rates or changes to labor laws and regulations, our operating

costs could increase significantly, which could materially adversely affect our results of operations. In addition, we could face labor disputes with our employees, which could lead to fines by governmental authorities and settlement costs to resolve the disputes. Labor disputes could also make it more difficult to recruit new employees due to the reputational damage caused by labor disputes.

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

We maintain insurance policies that are required under the PRC laws and regulations and that we believe are in line with market practice and adequate for our business to safeguard against risks and unexpected events. Our insurance policies cover adverse events in our clinical trials. We maintain social welfare insurance for our employees in accordance with applicable laws and regulations. In line with general market practice, we have elected not to maintain certain types of insurances, such as business interruption insurance or key man insurance. Our insurance coverage may be insufficient to cover any claims that we may have. Any liability or damage to, or caused by, our facilities or our personnel beyond our insurance coverage may result in our incurring substantial costs and a diversion of resources, and may adversely impact our drug development and overall operations.

Product liability claims or lawsuits against us could result in expensive and time-consuming litigation, payment of substantial damages and increases in our insurance rates.

We face inherent risks related to product and professional liability as a result of the clinical testing and any future commercialization of our drug candidates inside and outside China. For example, we may be sued if our drug candidates cause or are perceived to cause injury or are found to be otherwise unsuitable during clinical testing, manufacturing, marketing or sale. Any such product liability claims may include allegations of defects in manufacturing, defects in design, a failure to warn of dangers inherent in the drug, negligence, strict liability or a breach of warranties. Claims could also be asserted under applicable consumer protection laws. If we cannot successfully defend ourselves against the claims, we may incur substantial liabilities or be required to limit commercialization of our drug candidates. Even successful defense would require significant financial and management resources. Regardless of the merits or eventual outcome, liability claims may result in:

- decreased demand for our drug candidates;
- injury to our reputation;
- withdrawal of clinical trial participants and inability to continue clinical trials;
- initiation of investigations by regulatory authorities;
- costs to defend the related litigation;

- a diversion of management's time and our resources;
- substantial monetary awards to trial participants or patients;
- product recalls, withdrawals or labelling, marketing or promotional restrictions;
- loss of revenue;
- exhaustion of any available insurance and our capital resources;
- the inability to commercialize any approved drug candidate; and
- a decline in the [**REDACTED**] of our H Shares.

To cover such liability claims arising from clinical studies, we purchase clinical trial insurance to cover adverse events in our clinical trials. It is possible that our liabilities could exceed our insurance coverage or that our insurance will not cover all situations in which a claim against us could be made. We may not be able to maintain insurance coverage at a reasonable cost or obtain insurance coverage that will be adequate to satisfy any liability that may arise. If a successful product liability claim or series of claims is brought against us for uninsured liabilities or in excess of insured liabilities, our assets may not be sufficient to cover such claims and our business operations could be impaired. Should any of these events occur, it could have a material adverse effect on our business, financial condition and results of operations.

We may be unable to detect, deter and prevent all instances of bribery, fraud or other misconduct committed by our employees or third parties.

We may be exposed to fraud, bribery or other misconduct committed by our employees or third parties that could subject us to financial losses and sanctions imposed by governmental authorities, which may adversely affect our reputation. During the Track Record Period and up to the Latest Practicable Date, we were not aware of any instances of fraud, bribery, or other misconduct involving employees and other third parties that had any material and adverse impact on our business and results of operations. However, we cannot assure you that there will not be any such instances in future. Although we consider our internal control policies and procedures to be adequate, we may be unable to prevent, detect or deter all such instances of misconduct by our employees or third parties. Any such misconduct committed against our interests, which may include past acts that have gone undetected or future acts, may have a material adverse effect on our business, results of operations and reputation.

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

Despite the implementation of security measures, our information technology systems and those of our CROs, CDMOs, partners, consultants and other service providers are vulnerable to damage from computer viruses, unauthorized access, cyber-attacks, natural disasters, terrorism, war and telecommunication and electrical failures. If such an event were to occur and cause interruptions in our operations, it could result in a material disruption of our research and development programs. For example, our data may not be backed up in a timely manner and the loss of clinical trial data from ongoing or future clinical trials for any of our drug candidates could result in delays in regulatory approval efforts and significantly increase costs to recover or reproduce the data. To the extent that any disruption or security breach were to result in a loss of or damage to data or applications, or inappropriate disclosure of confidential or proprietary information, we could incur liability and the further development of our drug candidates could be delayed.

Our reputation is important to our business success. Negative publicity and allegations involving us, our Shareholders, Directors, officers, employees and business partners may affect our reputation and may, as a result, negatively affect our business, financial condition and results of operations.

Any negative publicity concerning us, our affiliates, our Shareholders, Directors, officers, employees and business partners, management, even if untrue, could adversely affect our reputation and business prospects. Such negative coverage in the media and publicity could threaten the perception of our reputation. In addition, to the extent our Shareholders, Directors, officers, employees and business partners were incompliant with any laws or regulations or involved in lawsuits, disputes, or other legal proceedings or became subject to administrative measures, penalties or investigations by regulatory authorities, we may also suffer negative publicity or harm to our reputation. As a result, we may be required to spend significant time and incur substantial costs in response to allegations and negative publicity. In addition, any negative publicity about us could adversely affect our ability to maintain our existing collaboration arrangements or attract new collaboration partners, and we may not be able to diffuse such negative publicity to the satisfaction of our [**REDACTED**].

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

We seek to establish risk management and internal control systems consisting of an organizational framework, policies, procedures and risk management methods that are appropriate for our business operations, and seek to continue to improve these systems. See "Business — Risk Management and Internal Control" for further details. However, due to the inherent limitations in the design and implementation of risk management and internal control systems, we cannot assure that our risk management and internal control systems will be able to identify, prevent and manage all risks. Our internal procedures are designed to monitor our operations and ensure their overall compliance. However, our internal control procedures may

be unable to identify all non-compliance incidents in a timely manner or at all. It is not always possible to timely detect and prevent fraud and other misconduct committed by our employees or third parties, and the precautions we take to prevent and detect such activities may not be effective.

Furthermore, we cannot assure you that our risk management and internal control systems will be effectively implemented. Since our risk management and internal control systems depend on their implementation by our employees, we cannot assure you that all of our employees will adhere to such policies and procedures, and the implementation of such policies and procedures may involve human errors or mistakes, which may materially and adversely affect our business and results of operations. Moreover, as we are likely to offer a broader and more diverse range of services and solutions in the future, the expansion and diversification of our service offerings will require us to continue to enhance our risk management capabilities. If we fail to adapt our risk management policies and procedures to our evolving business in a timely manner, our business, financial condition and results of operations could be materially and adversely affected.

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

Natural disasters, acts of war, terrorism or other factors beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the regions where we conduct our business. Our operations may be under the threat of floods, earthquakes, sandstorms, snowstorms, fire or drought, power, water or fuel shortages, failures, malfunction and breakdown of information management systems, unexpected maintenance or technical problems, or are susceptible to potential wars or terrorist attacks. Serious natural disasters may result in loss of lives, injury, destruction of assets and disruption of our business and operations. Acts of war or terrorism may also injure our employees, cause loss of lives, disrupt our business network and destroy our markets.

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

Any of these factors and other factors beyond our control could have an adverse effect on the overall business sentiment and environment, cause uncertainties in the regions where we conduct business, cause our business to suffer in ways that we cannot predict and materially and adversely impact our business, financial conditions and results of operations.

Difficult conditions and turbulence in the global economic, political and financial environment may adversely affect our business.

Geopolitical, economic and market conditions, including factors such as the liquidity of the global financial markets, the level and volatility of debt and equity prices, interest rates, currency and commodities prices, investor sentiment, inflation and the availability and cost of capital and credit have been and will continue to affect the countries where we operate. The stress experienced by the global financial markets since 2020 due to the COVID-19 pandemic, the series of measures taken by major economies in response and the consequences of such measures continue to impact the global economy in varying degrees in different regions over the years. The financial markets continue to be impacted by general uncertainty, and growth rates have declined recently. The slow economic recoveries around the world, the geopolitical conflicts, and the high inflation, high interest environment have contributed to higher global volatility. These developments may adversely impact global liquidity, heighten market volatility and increase funding costs resulting in tightened global financial conditions and fears of a recession. A prolonged period of extremely volatile and unstable market conditions would likely increase our funding costs and could also adversely affect the countries where we operate, which could in turn affect our business.

RISKS RELATING TO DOING BUSINESS IN THE JURISDICTIONS WHERE WE OPERATE

The pharmaceutical industry in China is highly regulated and such regulations are subject to change which may affect approval and commercialization of our drug candidates.

We currently conduct most of our operations in China. The pharmaceutical industry in China is subject to comprehensive government regulation and supervision, encompassing the approval, registration, manufacturing, packaging, licensing and marketing of new drugs. In recent years, the regulatory framework in China regarding the pharmaceutical industry has undergone significant changes, and we expect that it will continue to undergo significant changes. Any such changes or amendments may result in increased compliance costs on our business or cause delays in or prevent the successful development or commercialization of our drug candidates in China and reduce the benefits we believe are available to us from developing and manufacturing drugs in China.

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

A substantial portion of our operations are based in the PRC, our business, financial condition, results of operations and prospects may be affected by economic, political, social and legal developments in China. The Chinese government has implemented various measures to encourage economic growth and guide the allocation of resources. However, we cannot guarantee the extent to which our business operations will be able to benefit from such measures, if at all.

In addition, laws, rules and regulations in relation to economic matters are promulgated from time to time, including those related to such as foreign investment, corporate organization and governance, commerce, taxation, finance, foreign exchange and trade, so as to develop a comprehensive system of commercial law. Furthermore, the interpretation and implementation of the laws and regulations relating to pharmaceutical industry also evolve from time to time. Any of the foregoing may have a material and adverse effect on our business, financial condition, results of operations and prospects.

Recent reform in the regulatory regime of marketed drugs in the PRC could have impacts on our commercialization of drug candidates. For example, the Drug Administration Law of the PRC (《中華人民共和國藥品管理法》) and the Implementation Regulations of the Drug Administration Law of the PRC (《中華人民共和國藥品管理法實施條例》), as last amended in 2019, introduced significant changes as compared to the previous regulatory framework, and may be subject to further changes in the future. We currently do not experience or foresee any potential material adverse impact of these laws and regulations on our business operations. However, as such laws and regulations are newly released and relevant measures are generally evolving, we cannot assure you if our business operations will not be adversely affected in the future.

Changes in U.S. and international trade policies, and in relationships between the PRC and other countries, may adversely impact our business and operating results.

The U.S. government has recently made significant changes in its trade policy and has taken certain actions that may materially impact international trade, such as imposing several rounds of tariffs affecting certain products manufactured in the PRC. In March 2018, the U.S. President Donald J. Trump announced the imposition of tariffs on steel and aluminum entering the U.S. and in June 2018 announced further tariffs targeting goods imported from the PRC. Despite the recent re-exemption of U.S. tariffs on some Chinese goods, it remains unclear what actions, if any, the U.S. government will take with respect to other existing international trade agreements. It is also unknown whether and to what extent new tariffs (or other new laws or regulations) will be adopted, or the effect that any such actions would have on us or our industry.

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

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

We may face risks from transferring our scientific data abroad.

On March 17, 2018, the General Office of the State Council promulgated the Measures for the Management of Scientific Data (《科學數據管理辦法》), or the Scientific Data Measures, which provided a broad definition of scientific data and relevant rules for the management of scientific data. According to the Scientific Data Measures, if the provision of scientific data involving "state secrets" is required in foreign exchanges and cooperation, Chinese enterprises should clarify the type, scope and purpose of the data to be used, and report to the competent authority for approval in accordance with relevant procedures of confidentiality management regulations. When publishing a paper in a foreign academic journal requires the author to submit the relevant scientific data, the author should, prior to the publication, submit such scientific data to the belonged institution for unified management if such scientific data are generated with the government funding. Given the term "state secret" is not clearly defined in the Measures for the Management of Scientific Data, we cannot assure you that we can always obtain relevant approvals for sending scientific data, such as the results of our preclinical studies or clinical trials conducted within the PRC, abroad or to our foreign partners in the PRC. 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 could materially and adversely affect our business, financial condition, results of operations 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 rectification and other administrative penalties imposed by those government authorities.

There might be uncertainties in effecting service of legal process, enforcing foreign judgments against us or our Directors and senior management personnel in the PRC.

We are a joint stock company with limited liabilities incorporated in China. A majority of our Directors and senior management personnel reside within mainland China, and substantially all of their assets are located within the PRC. Therefore, it may be difficult for [**REDACTED**] to directly effect service of legal process upon us or our Directors and senior management personnel in the PRC.

On July 14, 2006, the Supreme People's Court of the PRC and the government of Hong Kong Special Administrative Region entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region pursuant to Choice of Court Agreements between Parties Concerned, or the Arrangement, which was taken into effect on August 1, 2008.

Pursuant to the Arrangement, where any designated PRC court or any designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil or commercial case under a choice of court agreement in writing, any party concerned may apply to the relevant PRC court or Hong Kong court for recognition and enforcement of the judgment. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a mainland court is expressly selected as the court having sole jurisdiction for the dispute.

On January 18, 2019, the Supreme People's Court and the Hong Kong SAR Government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region, or the New Arrangement, which seeks to establish a mechanism with greater clarity and certainty for recognition and enforcement of judgments in wider range of civil and commercial matters between Hong Kong SAR and the mainland China. The New Arrangement does not include the requirement for a choice of court agreement in writing by the parties. The New Arrangement, which came into effect on January 29, 2024, supersedes the Arrangement. Under the New Arrangement, judgments rendered by Hong Kong courts can generally be recognized and enforced in the PRC even if the parties in the dispute have not entered into a written choice of court agreement. However, we cannot guarantee that all judgments from Hong Kong courts will be recognized and enforced in the PRC. The recognition and enforcement of a specific judgment are subject to a case-by-case examination by the relevant court in accordance with the New Arrangement.

Restrictions on the remittance of Renminbi into and out of the PRC may limit our ability to pay dividends and other obligations and affect the value of your [REDACTED].

A substantial majority of our future revenue is expected to be denominated in Renminbi and we will need to convert Renminbi into foreign currencies for the payment of dividends, if any, to holders of our H Shares. Shortages in the availability of foreign currency may restrict our ability to remit sufficient foreign currency to pay dividends or other payments, or otherwise satisfy our foreign currency denominated obligations.

Under China's current foreign exchange regulatory system, foreign exchange transactions under the current account conducted by us do not require advance approval from SAFE, but we are required to present relevant documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licenses to carry out foreign exchange business. Approval from appropriate 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 regulatory system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders. Further, there is no assurance that new regulations will not be promulgated in the future that would have the effect of further restricting the remittance of Renminbi into or out of China.

Holders of H Shares and dividends on the H Shares may be subject to PRC income taxes.

Holders of H Shares, being non-PRC resident individuals or non-PRC resident enterprises, whose names appear on the register of members of H Shares of our Company, are subject to PRC income tax in accordance with the applicable tax laws and regulations, on dividends received from us and gains realized through the sale or transfer by other means of H shares by such shareholders.

According to the Individual Income Tax Law of the PRC and the Implementation Regulations for the Individual Income Tax Law of the PRC, both came into effect on January 1, 2019, the tax applicable to non-PRC resident individuals is proportionate at a rate of 20% for any dividends obtained from within China or gains on transfer of shares and shall be withheld and paid by the withholding agent. Pursuant to the Arrangement between the Mainland 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 (the "**Arrangements**") executed on August 21, 2006, the PRC Government may levy taxes on the dividends paid by PRC companies to Hong Kong residents in accordance with the PRC laws, but the levied tax (in the case the beneficial owner of the dividends are not companies directly holding at least 25% of the equity interest in the company paying the dividends) shall not exceed 10% of the total dividends.

According to the Enterprise Income Tax Law of the PRC, which was newly revised and implemented on December 29, 2018, and the Implementation Regulations for the Enterprise Income Tax Law of the PRC, which was newly revised on December 6, 2024 and implemented on January 20, 2025, if a non-resident enterprise has no presence or establishment within China, or if it has established a presence or establishment but the income obtained has no actual connection with such presence or establishment, it shall pay an enterprise income tax on its income derived from within China with a reduced rate of 10%. Pursuant to the Arrangements, dividends paid by PRC resident enterprises to Hong Kong residents can be taxed either in Hong Kong or in accordance with the PRC laws. However, if the beneficial owner of the dividends is a Hong Kong resident, the tax charged shall not exceed: (i) 5% of the total amount of dividends if the Hong Kong resident is a company that directly owns at least 25% of the capital of the PRC resident enterprise paying dividends; (ii) otherwise, 10% of the total amount of dividends.

Considering the above, non-PRC resident holders of our H Shares should be aware that they may be obligated to pay PRC income tax on the dividends and gains realized through sales or transfers by other means of the H Shares.

We are subject to filings and other requirements from the CSRC or other PRC regulatory authorities for the [REDACTED] and [REDACTED] of our H Shares on the [REDACTED].

On February 17, 2023, the CSRC promulgated Trial Administrative Measures of the 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 "**Trial Measures for Overseas Listing**") and five related guidelines, which became effective on March 31, 2023. The Trial Measures for Overseas Listing comprehensively improve and reform the existing regulatory regime for overseas offering and listing of PRC domestic companies' securities and regulate both direct and indirect overseas offering and listing of PRC domestic companies' securities through a filing-based regulatory regime.

Pursuant to the Trial Measures for Overseas Listing, PRC domestic companies that seek to offer and list securities in overseas markets, either through direct or indirect means, are required to go through the filing procedure with the CSRC and report relevant information. The Trial Measures for Overseas Listing provides that if the issuer meets both of the following criteria, the overseas securities offering and listing conducted by such issuer will be deemed as an indirect overseas offering by PRC domestic companies: (i) 50% or more of any of the issuer's operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent fiscal year is accounted for by domestic companies; and (ii) the main parts of the issuer's business activities are conducted in mainland China, or its main place(s) of business are located in mainland China, or the majority of senior management staff in charge of its business operations and management are PRC citizens or have their usual place(s) of residence located in mainland China. Where an issuer submits an application for initial public offering to competent overseas regulators, such issuer must file with the CSRC within three business days after such application is submitted.

We cannot assure you that we could meet such requirements, complete such filing in a timely manner. Any failure may restrict our ability to complete the proposed [**REDACTED**] or any future equity capital raising activities, which would have a material adverse effect on our business and financial positions. Further, as the Trial Measures for Overseas Listing was recently promulgated, there remains substantial uncertainties as to its interpretation and implementation and how it may impact our ability to raise or utilize fund for business operation.

RISKS RELATING TO THE [REDACTED]

No [REDACTED] market currently exists for our H Shares, and an active [REDACTED] market for our H Shares may not develop, especially taking into account that certain of our existing shareholders may be subject to a lock-up period.

No [**REDACTED**] market currently exists for our H Shares. The initial [**REDACTED**] for our H Shares to the [**REDACTED**] will be the result of our negotiations with the [**REDACTED**] (for themselves and on behalf of the [**REDACTED**]) and the [**REDACTED**] may differ significantly from the [**REDACTED**] of the H Shares following the [**REDACTED**]. We have applied to the Stock Exchange for [**REDACTED**] of, and permission to [**REDACTED**] in, our [**REDACTED**]. A [**REDACTED**] on the Stock Exchange, however, does not guarantee that an active and liquid [**REDACTED**] for our H Shares will develop, or if it does develop, that it will be sustained following the [**REDACTED**], or that the [**REDACTED**] of the H Shares will not decline following the [**REDACTED**].

In particular, certain part of the H Shares in issue as of the date of this Document will be subject to a lock-up period from the [**REDACTED**], which may significantly affect the liquidity and trade volume of our H Shares in the short term following the [**REDACTED**]. A [**REDACTED**] on the Stock Exchange does not guarantee that an active and liquid [**REDACTED**] for our H Shares will develop, especially during the period when certain portion of our H Shares may be subjected to lock-up, or if it does develop, that it will sustained following the [**REDACTED**], or that [**REDACTED**] of the H Shares will rise following the [**REDACTED**].

The [REDACTED] and [REDACTED] of our H Shares may be volatile, which could result in substantial losses for [REDACTED] who purchase our H Shares in the [REDACTED].

The [**REDACTED**] and [**REDACTED**] of our H Shares may be subject to significant volatility in response to various factors beyond our control, including the general market conditions of the securities in Hong Kong and elsewhere in the world. In particular, the business and performance and the [**REDACTED**] of the shares of other companies engaging in similar business may affect the price and [**REDACTED**] of our H Shares. In addition to market and industry factors, the price and [**REDACTED**] of our H Shares may be highly volatile for specific business reasons, including the following:

- the results of clinical trials of our drug candidates;
- the results of our applications for regulatory approvals of our drug candidates;

- regulatory developments affecting the pharmaceutical industry, healthcare, health insurance and other related matters;
- fluctuations in our revenue, earnings, cash flows, investments and expenditures;
- relationships with our suppliers and customers;
- movements or activities of key personnel; and
- actions taken by competitors.

Moreover, shares of other companies listed on the Stock Exchange have experienced price volatility in the past, and it is possible that our H Shares may be subject to changes in price not directly related to our performance.

Future sales or perceived sales of our H Shares in the [REDACTED] market by major Shareholders, or any possible conversion of our Unlisted Shares into H Shares, following the [REDACTED] may adversely affect the [REDACTED] of our H Shares.

Prior to the [**REDACTED**], there has not been a [**REDACTED**] market for our H Shares. Future sales or perceived sales by our existing Shareholders of our H Shares after the [**REDACTED**] could result in a significant decrease in the prevailing [**REDACTED**] of our H Shares. Only a limited number of the H Shares currently outstanding will be available for sale or issuance immediately after the [**REDACTED**] due to contractual and regulatory restrictions on disposal and new [**REDACTED**]. Nevertheless, after these restrictions lapse or if they are waived, future sales of significant amounts of our H Shares in the [**REDACTED**] market or the perception that these sales may occur could significantly decrease the prevailing [**REDACTED**] of our H Shares and our ability to raise equity capital in the future.

Potential conversion of Unlisted Shares into H Shares may result in an increase in the number of our H Shares available in the market, which could, in turn, affect the price of our H Shares. Our remaining Unlisted Shares may also be converted into H Shares upon completion of required procedures in the future, and such converted shares may be [**REDACTED**] or [**REDACTED**] on an overseas stock exchange, provided that, prior to the conversion and [**REDACTED**] of such converted shares, any requisite filings with relevant PRC regulatory authorities shall be completed. However, the PRC Company Law provides that in relation to the public offering of a company, the shares of that company which are issued prior to the public offering shall not be transferred within one year from the date of listing of the public offering. Therefore, upon obtaining the requisite approval, our Unlisted Shares may be [**REDACTED**], after the conversion, in the form of H Shares on the Stock Exchange one year after this [**REDACTED**], which at that time could further increase the number of our H Shares available in the [**REDACTED**] and may negatively impact the [**REDACTED**] of our H Shares.

Should the [REDACTED] be higher than the net tangible book value per H Share, subject to pricing, you may experience an immediate dilution in the book value of the [REDACTED] you purchased in the [REDACTED].

Potential [**REDACTED**] will pay a price per H Share in the [**REDACTED**] that substantially exceeds the per H Share value of our tangible assets after subtracting our total liabilities as of September 30, 2024. Therefore, [**REDACTED**] of our H Shares in the [**REDACTED**] will experience a substantial immediate dilution in [**REDACTED**], and our existing Shareholders will receive an increase in the [**REDACTED**] adjusted [**REDACTED**] per Share on their Shares. As a result, if we were to distribute our [**REDACTED**] to the Shareholders immediately following the [**REDACTED**], potential [**REDACTED**] would receive less than the amount they paid for their H Shares. For more details, please refer to "[**REDACTED**]" to this document.

Raising additional capital may cause dilution to our Shareholders, restrict our operations or require us to relinquish rights to our technologies or drug candidates.

We may finance our future cash needs through equity offerings, licensing arrangements or other collaborations, government funding arrangements, debt financings, or any combination thereof. If we fail to become profitable or obtain sufficient equity or other financings, we may be unable to continue our operations according to our plans and be forced to scale back our operations. In addition, we may seek additional capital due to favorable market conditions or strategic considerations even if we believe that we have sufficient funds for our current or future operating plans. To the extent that we raise additional capital through the sale of equity or convertible debt securities, your ownership interest will be diluted, and the terms may include liquidation or other preferences that adversely affect your rights as a holder of our H Shares. The incurrence of additional indebtedness or the issuance of certain equity securities could result in increased fixed payment obligations and could also result in certain additional restrictive covenants, such as limitations on our ability to incur additional debt or issue additional equity, limitations on our ability to acquire or license intellectual property rights and other operating restrictions that could adversely impact our ability to conduct our business. In addition, issuance of additional equity securities, or the possibility of such issuance, may cause the [**REDACTED**] of our H Shares to decline.

Because we do not expect to pay dividends in the foreseeable future after the [REDACTED], you must rely on price appreciation of our H Shares for a return on your [REDACTED].

We currently intend to retain most, if not all, of our available funds and any future earnings after the [**REDACTED**] to fund the development and commercialization of our pipeline drug candidates. As a result, we do not expect to pay any cash dividends in the foreseeable future. Therefore, you should not rely on an [**REDACTED**] in our H Shares as a source for any future dividend income.

Our Board has complete discretion as to whether to distribute dividends. Even if our Board decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions received by us from our subsidiaries, our financial

condition, contractual restrictions and other factors deemed relevant by our Board. Accordingly, the return on your [**REDACTED**] in our H Shares will likely depend entirely upon any future [**REDACTED**] appreciation of our H Shares. There is no guarantee that our H Shares will appreciate in value after the [**REDACTED**] or even maintain the price at which you [**REDACTED**] the H Shares. You may not realize a return on your [**REDACTED**] in our H Shares and you may even lose your entire [**REDACTED**] in our H Shares.

We cannot make fundamental changes to our business without the consent of the Stock Exchange.

On April 30, 2018, the Stock Exchange adopted rules under Chapter 18A of its Rules Governing the Listing of Securities on the Stock Exchange. Under these rules, without the prior consent of the Stock Exchange, we will not be able to effect any acquisition, disposal or other transaction or arrangement or a series of acquisitions, disposals or other transactions or arrangements, which would result in a fundamental change in our principal business activities as set forth in this document. As a result, we may be unable to take advantage of certain strategic transactions that we might otherwise choose to pursue in the absence of Chapter 18A. Were any of our competitors that are not listed on the Stock Exchange to take advantage of such opportunities in our place, we may be placed at a competitive disadvantage, which could have a material adverse effect on our business, financial condition and results of operations.

We have significant discretion as to how we will use the net [REDACTED] of the [REDACTED], and you may not necessarily agree with how we use them.

Our management may spend the net [**REDACTED**] from the [**REDACTED**] in ways you may not agree with or that do not yield a favorable return to our Shareholders. For details of our intended use of [**REDACTED**], see the section headed "Future Plans and Use of [**REDACTED**]." However, our management will have discretion as to the actual application of the net [**REDACTED**] received by us from the [**REDACTED**]. You are entrusting your funds to our management, whose judgment you must depend on, for the specific uses we will make of the net [**REDACTED**] from the [**REDACTED**].

We cannot guarantee the accuracy of facts, forecasts and other statistics obtained from official government sources or other sources contained in this document.

Certain facts, statistics and data contained in this document relating to the pharmaceutical industry in and outside China have been derived from various official government publications, industry associations, independent research institutions, third party reports and/or other publicly available sources we generally believe to be reliable, as well as a report prepared by Frost & Sullivan that we commissioned. We believe that the sources of such information are appropriate sources for such information, but the information has not been independently verified by us or any other party involved in the [**REDACTED**] and no representation is given as to its accuracy.

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

This document contains certain forward-looking statements and information relating to us that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, the words "aim," "anticipate," "believe," "can," "continue," "could," "estimate," "expect," "going forward," "intend," "ought to," "may," "might," "plan," "potential," "predict," "project," "seek," "should," "will," "would" and similar expressions, as they relate to us or our business, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, business operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this document. Should one or more of these risks or uncertainties materialize, or if any of the underlying assumptions prove incorrect, actual results may diverge significantly from the forward-looking statements in this document. Whether actual results will conform to our expectations and predictions is subject to a number of risks and uncertainties, many of which are beyond our control, and reflect future business decisions that are subject to change. In light of these and other uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations that our plans or objectives will be achieved, and [**REDACTED**] should not place undue reliance on such forward-looking statements. All forward-looking statements contained in this document are qualified by reference to the cautionary statements set out in this section. Subject to the ongoing disclosure obligations of the Listing Rules or other requirements of the Stock Exchange, 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.

You should read this entire document carefully and should not consider or rely on any particular statements in published media reports without carefully considering the risks and other information contained in this document.

Prior to the publication of this document, and subsequent to the date of this document but prior to the completion of the [**REDACTED**], there may have been or may be press and media coverage regarding us, our business, our industry and the [**REDACTED**]. Such press and media coverage may include references to information that do not appear in this document or is inaccurate. We have not authorized the publication of any such information contained in such press and media coverage. Therefore, we make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the press or media and do not accept any responsibility for the accuracy or completeness of any financial information or forward-looking statements contained therein. To the extent that any of such information is inconsistent or conflicts with the contents of this document, we expressly disclaim responsibility for them. Accordingly, prospective [**REDACTED**] should only rely on information included in this document and not on any of the information in press articles or other media coverage in deciding whether or not to [**REDACTED**] in our [**REDACTED**]. By applying to purchase our H Shares in the [**REDACTED**], you will be deemed to have agreed that you have not and 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 relation to our [**REDACTED**].

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

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

WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

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

Since (i) the business operations of our Group are principally managed and conducted in the PRC and the Company's head office is situated in the PRC, (ii) all of our executive Directors and senior management ordinarily reside in the PRC and (iii) the management and operations of our Group have mainly been under the supervision of our executive Directors and senior management, it is important for them to remain in close proximity to the place of the Group's operations. Therefore, our Directors consider that it would be practically difficult and commercially unreasonable for us to arrange for two executive Directors to be ordinarily resident in Hong Kong, either by means of relocation of our existing executive Directors or appointment of additional executive Directors. We do not have, and does not contemplate in the foreseeable future that we will have sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 and Rule 19A.15 of the Listing Rules.

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

(a) **Authorized Representatives**: pursuant to Rule 3.05 of the Listing Rules, we have appointed Dr. Liu, the co-founder of our Group, chairman of our Board and executive Director, and Ms. Fong Christine Haiman (方希琳) ("**Ms. Fong**"), our joint company secretary as our authorized representatives and will continue to maintain two authorized representatives to be our principal channel of communication at all times with the Stock Exchange (the "**Authorized Representatives**"). Each of them will be readily contactable by phone and email to deal promptly with enquiries from the Stock Exchange. In addition, Ms. Fong ordinarily resides in Hong Kong. Accordingly, each of the Authorized Representatives will be able to meet with the relevant members of the Stock Exchange to discuss any matters in relation to our Company within a reasonable period as and when required. Our Company will also inform the Stock Exchange promptly in respect of any change in the Authorized Representatives. See "Directors, Supervisors and Senior Management" for more information about our Authorized Representatives;

(b) **Directors**: to facilitate communication with the Stock Exchange, the contact details of each Director have been provided to each of our Authorized Representatives, the Compliance Adviser (as defined below) and the Stock Exchange who have the means of contacting all Directors promptly at all times as and when the Stock Exchange wishes to contact our Directors on any matters. Furthermore, to the best of our knowledge and information, our Directors who are not ordinarily resident in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and will be able to come to Hong Kong to meet with the Stock Exchange within a reasonable period as and when required; and

(c) **Compliance Adviser**: pursuant to Rule 3A.19 of the Listing Rules, our Company has appointed Rainbow Capital (HK) Limited as our Compliance Adviser for the period commencing from the [**REDACTED**] until the date on which our Company announces our financial results and distributes our annual report for the first full financial year after the [**REDACTED**]. The Compliance Adviser will provide us with professional advice on ongoing compliance with the Listing Rules and will act as our Company's additional channel of communication with the Stock Exchange. The Compliance Adviser and its representatives will be readily available to answer enquiries from the Stock Exchange. We will ensure that the Compliance Adviser has prompt access to our Authorized Representatives and our Directors who will provide to the Compliance Adviser such information and assistance as the Compliance Adviser may need or reasonably request in connection with the performance of the Compliance Adviser's duties. We shall ensure that there are adequate and efficient means of communication among our Company, our Authorized Representatives, our Directors, and other officers and the Compliance Adviser, and will keep the Compliance Adviser fully informed of all communications and [**REDACTED**] between the Stock Exchange and us.

WAIVER IN RELATION TO APPOINTMENT OF JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules and Chapter 3.10 of the Guide for New Listing Applicants, we must appoint a company secretary who, by virtue of his or her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of the company secretary.

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

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

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

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

Note 2 to Rule 3.28 of the Listing Rules further sets out the factors that the Stock Exchange will consider in assessing an individual's "relevant experience":

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

(b) familiarity with the Listing Rules and other relevant law and regulations including the Securities and Futures Ordinance, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;

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

(d) professional qualifications in other jurisdictions.

Since the business operations of our Group are principally managed and conducted in the PRC and the Company's executive Directors and senior management ordinarily reside in the PRC, our Company considers that while it is important for the company secretary to be familiar with the relevant securities regulations in Hong Kong, he or she also needs to have experience relevant to our Company's operations, a nexus to our Board and a close working relationship with the management of our Company in order to perform the function of a company secretary and to take the necessary actions in the most effective and efficient manner. It is for the benefit of our Company to appoint a person who has been a member of the senior management for a period of time and is familiar with our Company's business and affairs as company secretary.

We have appointed Ms. Li Cui (李翠) ("**Ms. Li**"), our executive Director, Chief Financial Officer and secretary of the Board, and Ms. Fong as our joint company secretaries. Ms. Fong is a member of The Hong Kong Chartered Governance Institute 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. Ms. Li, however, does not possess the qualifications set out in Rule 3.28 of the Listing Rules. We believe that Ms. Li, by virtue of her knowledge and experience in handling financial management, corporate governance, investor relations, and capital markets activities of the Group and her close proximity to the place of the Group's operations, the Board and the senior management of the Company, is capable of discharging her functions as a joint company secretary. We therefore believe that it would be in the best interests of our Company to appoint Ms. Li as a joint company secretary. For the biographical information of Ms. Li and Ms. Fong, see "Directors, Supervisors and Senior Management."

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted] us, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules in relation to the appointment of Ms. Li as our joint company secretary. Pursuant to paragraphs 13, 15 and 16 of Chapter 3.10 of the Guide for New Listing Applicants, the waiver will be for a three-year period from the [**REDACTED**] (the "**Waiver Period**") and on the following conditions: (i) the proposed company secretary must be assisted by a person who possesses the qualifications or experience as required under Rule 3.28 of the Listing Rules (the "**Qualified Person**") and is appointed as a joint company secretary throughout the Waiver Period; and (ii) the waiver will be revoked if there are material breaches of the Listing Rules by the issuer.

We have appointed Ms. Fong, who is a Qualified Person, as a joint company secretary to provide assistance to Ms. Li during the Waiver Period so as to enable Ms. Li to acquire the relevant experience (as required under Note 2 to Rule 3.28 of the Listing Rules) to duly discharge her duties. Given Ms. Fong's professional qualifications and experience, she will be able to explain to both Ms. Li and our Company the relevant requirements under the Listing Rules. Ms. Fong will also assist Ms. Li in organizing Board meetings and Shareholders' meetings as well as other matters of our Company which are incidental to the duties of a company secretary. She is expected to work closely with Ms. Li, and will maintain regular contact with Ms. Li, our Directors, Supervisors and senior management. In addition, Ms. Li 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 Waiver Period. Ms. Li will also be assisted by (a) the Compliance Adviser, particularly in relation to compliance with the Listing Rules; and (b) the Hong Kong legal advisor of our Company on matters concerning our Company's ongoing compliance with the Listing Rules and the applicable laws and regulations. If and when Ms. Fong ceases to be a joint company secretary before the end of the Waiver Period, our Company will appoint another Qualified Person as a replacement. Such a waiver can be revoked if there are material breaches of the Listing Rules by our Company.

We will demonstrate and seek the Stock Exchange's confirmation before the end of the Waiver Period to enable it to assess whether Ms. Li, having had the benefit of Ms. Fong's and, if applicable, another Qualified Person's assistance for three years, has acquired relevant experience within the meaning of Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

EXEMPTION IN RELATION TO FINANCIAL STATEMENTS IN THIS DOCUMENT

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

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

Paragraph 27 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires a company to include in its document a statement as to the gross trading income or sales turnover (as the case may be) of the company during each of the three financial years immediately preceding the issue of the document, including an explanation of the method used for the computation of such income or turnover and a reasonable breakdown between the more important trading activities.

Paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance further requires a company to include in its document a report by the auditors of the company with respect to (i) the profits and losses of the company for each of three financial years immediately preceding the issue of the document and (ii) the assets and liabilities of the company of each of the three financial years immediately preceding the issue of the document.

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

Rule 4.04(1) of the Listing Rules requires that the consolidated results of the issuer and its subsidiaries in respect of each of the three financial years immediately preceding the issue of the listing document be included in the accountants' report to its document.

Our Company is a Biotech Company as defined under Chapter 18A of the Listing Rules and is [**REDACTED**] under Chapter 18A of the Listing Rules. Rule 18A.03(3) of the Listing Rules requires that a Biotech Company must have been in operation in its current line of business for at least two financial years prior to [**REDACTED**] under substantially the same management. Rule 18A.06 of the Listing Rules requires that a Biotech Company must comply with Rule 4.04 of the Listing Rules modified so that references to "three financial years" or "three years" in Rule 4.04 shall instead be references to "two financial years" or "two years", as the case may be. Further, pursuant to Rule 8.06 of the Listing Rules, the latest financial period reported on by the reporting accountants for a new applicant must not have ended more than six months from the date of the listing document.

In compliance with the abovementioned requirements under the Listing Rules, the Accountants' Report of our Company set out in Appendix I to this document is currently prepared to cover the [**REDACTED**].

As such, the Joint Sponsors have applied, on behalf of our Company, to the SFC for a certificate of exemption from strict compliance with section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to the requirements of paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance regarding the inclusion of the accountants' report covering the full three financial years immediately preceding the issue of this document on the following grounds:

(a) our Company is a pioneer in China leveraging synthetic biology technology to develop and deliver recombinant biologic drugs that address significant clinical needs yet are difficult to produce, and falls within the scope of biotech company as defined under Chapter 18A of the Listing Rules. Our Company will fulfill the additional conditions for [**REDACTED**] required under Chapter 18A of the Listing Rules;

(b) the Accountants' Report for the [**REDACTED**] will be disclosed in the final document of the Company and set out in Appendix I to this document in accordance with Rule 18A.06 of the Listing Rules;

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

(d) notwithstanding that the financial results set out in this document are only for the [**REDACTED**] in accordance with Chapter 18A of the Listing Rules, other information required to be disclosed under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance has been adequately disclosed in this document pursuant to the relevant requirements; and

(e) our Directors are of the view that the Accountants' Report covering the [**REDACTED**], together with other disclosures in this document, have already provided adequate and reasonable up-to-date information in the circumstances for the potential [**REDACTED**] to make an informed assessment of the business, assets and liabilities, financial position, management and prospects and to form a view on the track record of our Company. Therefore, the exemption would not prejudice the interest of the [**REDACTED**] public.

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

The SFC [has granted] a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting our Company from strict compliance with section 342(1)(b) in relation to paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule on the condition that particulars of the exemption are set out in this document and that this document will be issued on or before [**REDACTED**].

[REDACTED]

[REDACTED]

[REDACTED]

[**REDACTED**]

[REDACTED]

[REDACTED]

[**REDACTED**]

DIRECTORS

Name	Address	Nationality
Executive Directors		
Dr. Liu Yanjun (劉彥君)	Room 601, No. 1, Lane 873 Xiangyin Road, Yangpu District Shanghai PRC	Chinese
Ms. Wang Zheng (王徵)	Room 102, No. 10, Lane 198 Ziwei Road, Pudong New Area Shanghai PRC	Chinese
Mr. Tan Jingwei (譚靖偉)	Room 201, No. 37, No. 2 Village Huicheng Yuan, Xuhui District Shanghai PRC	Chinese
Ms. Li Cui (李翠)	Room 1402, No. 7, Lane 399 Chuanhe Road, Sunqiao Town Pudong New Area Shanghai PRC	Chinese
Non-executive Directors		
Ms. Lin, Chia-ling (林佳陵)	4/F, No. 96, Alley 36, Lane 157 Jingmao 2nd Road Neighborhood 35, Sanchong Li Nangang District Taipei Taiwan	Chinese (Taiwan)
Mr. Diao Juanhuan (刁雋桓)	17A, Building 7 Fulu Ju, Donghai Garden No. 2 Xianglin Road, Futian District Shenzhen Guangdong PRC	Chinese
Mr. Li Chen	16408 SE 64th PL, Bellevue WA 98006 United States	American

Name	Address	Nationality
Independent Non-executive Directors		
Mr. Cai Zhongxi (蔡仲曦)	No. 45, Ansheng Villa No. 1551 Huqingping Highway Qingpu District Shanghai PRC	Chinese
Dr. Zeng Fanyi (曾凡一)	Room 1501-1504, No. 3, Lane 1344 Changde Road, Putuo District Shanghai PRC	Chinese
Dr. Ju Dianwen (鞠佃文)	Room 505, No. 13, Lane 871 Xiangyin Road, Yangpu District Shanghai PRC	Chinese
Mr. Zhang Senquan (張森泉)	Room C&D, 37th Floor South Horizons Phase 2 Yee Lai Court Block 10 No. 10 South Horizon Drive Hong Kong	Chinese (Hong Kong)

SUPERVISORS

Name	Address	Nationality
Mr. Lou Junwen (樓俊文)	No. 39 Yunhe Road, Huqiu District Suzhou Jiangsu PRC	Chinese
Mr. Cheng Yu (成裕)	Room 803, Building 10 No. 9 Qingcheng Road Suzhou Industrial Park Suzhou Jiangsu PRC	Chinese
Ms. Cai Qingqing (蔡清清)	No. 14, Group 19 Kua'an Village, Caobu Town Rudong County Jiangsu PRC	Chinese

For further details on our Directors and Supervisors, see "Directors, Supervisors and Senior Management."

PARTIES INVOLVED IN THE [REDACTED]

Joint Sponsors

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

Haitong International Capital Limited
Suites 3001-3006 and 3015-3016
One International Finance Centre
No. 1 Harbour View Street
Central
Hong Kong

[REDACTED]

Legal Advisors to our Company	*As to Hong Kong and United States law:* **Cooley HK** 35/F, Two Exchange Square 8 Connaught Place Central Hong Kong *As to PRC law:* **Beijing DeHeng Law Offices** 12/F Tower B, Focus Place 19 Finance Street Beijing PRC
Legal Advisors to the Joint Sponsors and the [REDACTED]	*As to Hong Kong and United States law:* **Kirkland & Ellis** 26/F, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong *As to PRC law:* **Commerce & Finance Law Offices** 12-14th Floor, China World Office 2 No. 1 Jianguomenwai Avenue Beijing PRC
Reporting Accountants and Independent Auditor	**Ernst & Young** *Certified Public Accountants* *Registered Public Interest Entity Auditor* 27/F, One Taikoo Place 979 King's Road Quarry Bay Hong Kong
Independent Property Valuer	**AVISTA Valuation Advisory Limited** Suites 2401-06, 24/F Everbright Centre 108 Gloucester Road Wan Chai Hong Kong

Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** Room 2504, Wheelock Square No. 1717 West Nanjing Road Shanghai PRC
	[**REDACTED**]

CORPORATE INFORMATION

Registered Office, Head Office and Principal Place of Business in the PRC	No. 28 Luoxin Road, Baoshan District Shanghai PRC
Principal Place of Business in Hong Kong	Room 1919, 19/F, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Company's Website	**www.baopharma.com** *(The information contained on this website does not form part of this document)*
Joint Company Secretaries	Ms. Li Cui (李翠) Room 1402, No. 7, Lane 399 Chuanhe Road, Sunqiao Town Pudong New Area Shanghai PRC Ms. Fong Christine Haiman (方希琳) *(an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom)* Room 1919, 19/F, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Authorized Representatives	Dr. Liu Yanjun (劉彥君) Room 601, No. 1, Lane 873 Xiangyin Road, Yangpu District Shanghai PRC Ms. Fong Christine Haiman (方希琳) Room 1919, 19/F, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong

Audit Committee	Mr. Zhang Senquan (張森泉) *(Chairperson)* Dr. Ju Dianwen (鞠佃文) Mr. Diao Juanhuan (刁雋桓)
Nomination Committee	Dr. Liu Yanjun (劉彥君) *(Chairperson)* Dr. Zeng Fanyi (曾凡一) Mr. Cai Zhongxi (蔡仲曦)
Remuneration Committee	Dr. Ju Dianwen (鞠佃文) *(Chairperson)* Ms. Wang Zheng (王徵) Mr. Zhang Senquan (張森泉)
Strategy Committee	Dr. Liu Yanjun (劉彥君) *(Chairperson)* Ms. Li Cui (李翠) Ms. Lin Chia-Ling (林佳陵) Mr. Li Chen Mr. Cai Zhongxi (蔡仲曦)
Compliance Adviser	**Rainbow Capital (HK) Limited** Office No. 710, 7/F, Wing On House 71 Des Voeux Road Central Hong Kong

[**REDACTED**]

Principal Banks	**Shanghai Rural Commercial Bank (Songjiang Science and Technology City Sub-branch)** Room 103-2, Building 31 No. 258 Xinzhuan Highway, Songjiang District Shanghai PRC **Shanghai Pudong Development Bank (Baoshan Sub-branch)** No. 1283 Mudanjiang Road, Baoshan District Shanghai PRC

Certain information and statistics set out in this section have been extracted from various official government publications, available sources from public market data providers and an independent third-party source, Frost & Sullivan. The report prepared by Frost & Sullivan and cited in this document was commissioned by us. The information from official government sources has not been independently verified by our Company, the Joint Sponsors, the [**REDACTED**]*, the* [**REDACTED**]*, the* [**REDACTED**]*, the* [**REDACTED**]*, the* [**REDACTED**]*, the* [**REDACTED**]*, any of our or their respective directors, officers, employees, agents or advisers or any other person or party involved in the* [**REDACTED**]*, and no representation is given as to its accuracy, fairness and completeness. For discussion of the risks relating to our industry, see "Risk Factors" in this document.*

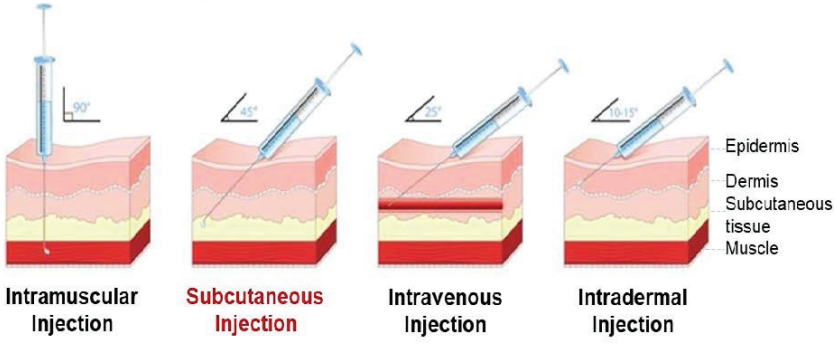
ANALYSIS OF THE SUBCUTANEOUS DRUG DELIVERY SYSTEM MARKET

Subcutaneous Drug Delivery System

Overview of Subcutaneous Drug Delivery System

The upper muscular layer of human body is covered by the subcutaneous (SC) tissue, dermis, and epidermis. The SC drug delivery system refers to the administration of drugs directly into the SC layer, which lies just beneath the epidermis and dermis. Low vascularization SC layer enables gradual drug absorption, forming a localized depot at the injection site. This depot effect allows slow drug release into the bloodstream, prolonging therapeutic effects and reducing dosing frequency. This delivery method has been in use since the 1850s, following the invention of hollow needles and hypodermic syringes, with its early applications including the delivery of morphine, insulin, and heparin in the 1960s. Earlier applications of SC injection faced limited adoption due to challenges in absorption variability and biologic formulation, but advances in drug formulation technologies and a better understanding of SC tissue dynamics have now enabled the broader application of SC delivery systems.

SC Administration and Other Injective Administration



Source: Frost & Sullivan analysis

In recent years, SC drug delivery system has emerged as a preferred method for administering biologics, such as peptides, proteins, cytokines, replacement enzymes, and monoclonal antibodies (mAbs), which are traditionally delivered intravenously. This represents a superior alternative to intravenous (IV) administration in numerous therapeutic areas, with notable advantages such as enhanced safety, greater convenience, broader applicability, and improved cost-effectiveness. SC injection eliminates the risks of infusion reactions and intolerance commonly associated with IV administration, benefiting a large population. For antibody drug administration, SC injections are significantly faster, typically requiring only 2 to 5 minutes, therefore, providing superior safety profile with shorter administration time. In comparison, IV infusion of antibody drugs typically requires 30 minutes to 3 hours and in some cases may extend up to 7 hours. This efficiency allows SC injections to be administered in diverse settings, including county-level hospitals, clinics, or even at home, thereby greatly improving patient comfort and compliance. Additionally, SC injection is more cost-efficient, with lower direct drug administration costs and reduced indirect expenses, such as travel and accommodation for site-off medical treatment patients.

The SC drug delivery market is evolving, driven by the demand for patient-friendly methods and the growth of biologic therapies like antibodies, insulin analogues, and vaccines. Traditional SC delivery is limited by small injection volumes and slower absorption, reducing efficacy and requiring multiple doses. Recombinant human hyaluronidase facilitates drug administration by temporarily degrading hyaluronic acid in the extracellular matrix, thereby increasing tissue permeability, enabling larger injection volumes, enhancing bioavailability, and reducing injection frequency. Compared to animal-derived hyaluronidase, recombinant human hyaluronidase exhibits higher purity, lower immunogenicity, and improved safety and stability due to its synthetic production through genetic engineering. This innovation benefits mAbs and fusion proteins, while also improving the delivery of advanced therapies like antibody-drug conjugates (ADCs). Traditional SC remains effective for small-dose insulin and standard vaccines, but recombinant human hyaluronidase shows potential for high-dose formulations or novel formulations. It may further enhance SC delivery for other chemical drugs and large molecules, by improving permeability and absorption. By overcoming traditional limitations, recombinant human hyaluronidase expands SC drug delivery's scope and improves therapeutic outcomes.

Recombinant Human Hyaluronidase

Overview of Hyaluronidase

The SC tissue primarily consists of fat, interspersed with capillaries and lymphatic capillaries, and is supported by the extracellular matrix (ECM), which acts as a barrier to drug delivery due to its proteins and polysaccharides, such as collagen, hyaluronic acid (HA), and chondroitin sulfate. The ECM limits SC injection volumes to approximately 2 ml, which poses significant challenges for high-dose biologics delivery, particularly for anti-tumor mAbs, where traditional solutions such as high-concentration formulations and multiple small-dose injections present considerable drawbacks, including increased protein aggregation, reduced efficacy, heightened immunogenicity risks, and substantial patient burden. Hyaluronidase has emerged as a superior alternative by breaking down HA, improving tissue permeability, and enabling the diffusion of larger drug volumes. Its enzymatic action facilitates drug absorption, reduces hematomas and edema, and prevents visible bulging during SC injections. Hyaluronidase overcomes the ECM barrier to enhance local drug delivery. HA around the injection site recovers within 24 to 48 hours without causing tissue damage or inflammation. Hyaluronidase's substrate specificity ensures it does not interfere with co-administered drugs or proteins, making it a clinically safe and effective solution for addressing the limitations of SC drug delivery.

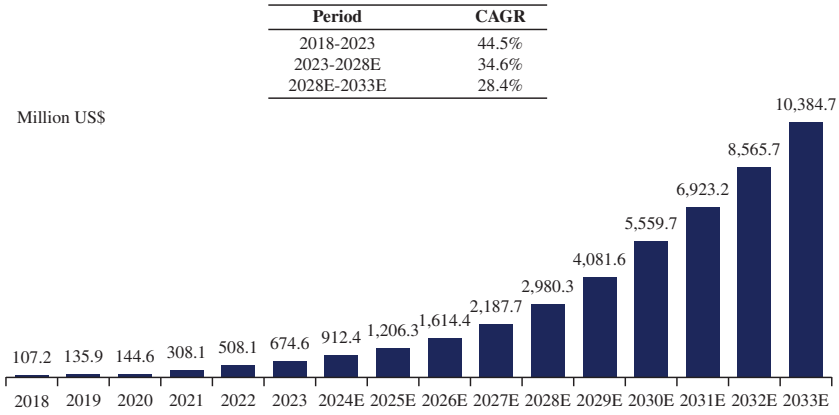
The evolution of hyaluronidase technology represents a significant breakthrough in drug delivery systems. Originally discovered in 1929 using animal-derived sources, the field underwent a transformative advancement in 2005 when the introduction of ENHANZE®, a drug delivery platform utilizing recombinant human hyaluronidase PH20 (rHuPH20). This pioneering technology marked a clear departure from traditional animal-derived preparations, which were limited by safety concerns and variable efficacy.

Market Size of the Recombinant Human Hyaluronidase

Recombinant human hyaluronidase is a relatively new drug application field with promising market potential, primarily centered on three strategic applications: monotherapy, combined use with antibodies, and prospective combined use with conventional chemicals, particularly antibiotics. Globally, the market of recombinant human hyaluronidase grew from US$107.2 million in 2018 to US$674.6 million in 2023, with a CAGR of 44.5%, anticipated to reach US$2,980.3 million by 2028 with a forecasted CAGR of 34.6% from 2023 to 2028, and is further expected to reach US$10,384.7 million by 2033 with a CAGR of 28.4% from 2028 to 2033. The market of recombinant human hyaluronidase in China is estimated to

increase from RMB1,938.5 million in 2028 to RMB7,495.3 million in 2033, representing a CAGR of 31.1%. The following chart describes the market of recombinant human hyaluronidase globally from 2018 to 2033:

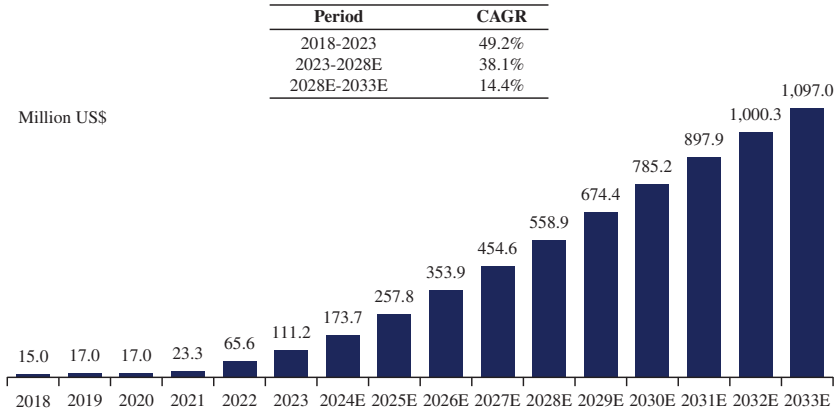
Global Recombinant Human Hyaluronidase Market Size, 2018-2033E



Source: Frost & Sullivan analysis

The market of recombinant human hyaluronidase monotherapy globally increased from US$15.0 million in 2018 to US$111.2 million in 2023 with a CAGR of 49.2%, and expected to reach US$558.9 million in 2028 with a CAGR of 38.1% from 2023 to 2028 and US$1,097.0 million in 2033, representing CAGR of 14.4% from 2028 to 2033. In China, the market of recombinant human hyaluronidase monotherapy is estimated to reach RMB662.8 million in 2028 to RMB1,532.0 million in 2033 with a CAGR of 18.2%. The following chart describes the market of recombinant human hyaluronidase monotherapy globally from 2018 to 2033:

Global Recombinant Human Hyaluronidase Monotherapy Market, 2018-2033E



Source: Frost & Sullivan analysis

Competitive Landscape of the Recombinant Human Hyaluronidase Market

HYLENEX®, approved in 2005, is the first FDA approved recombinant human hyaluronidase and has established an exclusive collaboration model under which leading pharmaceutical companies secure exclusive rights to specific collaborative targets with HYLENEX®. Our Company has established the first-mover advantage in China with our proprietary KJ017. As of the Latest Practicable Date, KJ017 is the first and only recombinant human hyaluronidase to reach NDA stage in China, which is expected to gain a leading position in the huge untapped market of China with its excellent clinical results. The table below provides a summary of globally approved or clinical-stage recombinant human hyaluronidase products:

Drug Name	Company	R&D Progress	Approval Date/ First Post Date	Indication
rHuPH20 (Hylenex)	Halozyme Therapeutic	Approved by FDA	2005	Subcutaneous infusion vehicle
Tergase	Alteogen	Approved in South Korea	2024	Subcutaneous infusion vehicle
KJ017	**Our Company**	NDA (NMPA)	2024	Subcutaneous infusion vehicle
BMl2004	BMI Korea	Phase l (South Korea)	2023	Subcutaneous infusion vehicle
HLB3-002	Huons Korea	Phase I (South Korea)	2024	Subcutaneous injection

Source: Frost & Sullivan analysis
Note: As of January 14, 2025

Market Opportunities of the Recombinant Human Hyaluronidase

Recombinant human hyaluronidase demonstrates significant potential across various therapeutic and medical applications due to its ability to locally and temporarily degrade hyaluronic acid, enhancing tissue permeability and drug dispersion. In SC drug delivery, it facilitates the conversion of IV therapies, such as monoclonal antibodies, to SC administration, optimizing dosage and improving patient compliance, thus reducing patients' treatment time and overall costs. Recombinant human hyaluronidase demonstrates versatile applications across various medical and therapeutic fields, and enabling SC delivery of drugs such as antibiotics and antibody drugs, highlighting its value as a multifunctional tool in diverse applications.

The current global business model for recombinant human hyaluronidase is characterized by exclusivity in collaborations, where leading pharmaceutical companies secure exclusive rights to specific collaborative targets. While this model has successfully facilitated the commercialization of several blockbuster products, it has also created significant unmet demand for non-exclusive SC delivery solutions. Beyond its traditional application areas, recombinant human hyaluronidase also holds the potential for integration with other novel products, further expanding its utility in combination therapies.

Recombinant Human Hyaluronidase Combined with Antibodies

Overview of Recombinant Human Hyaluronidase Combined with Antibodies

Recombinant human hyaluronidase has emerged as an innovative technology for enabling SC drug delivery in combination with antibodies. While recombinant human hyaluronidase itself is not therapeutically active, its pharmacodynamics advantage lies in its ability to enhance the absorption of co-administered drugs. By temporarily degrading hyaluronic acid in the extracellular matrix, recombinant human hyaluronidase improves tissue permeability, increases bioavailability, accelerates drug absorption. Clinical studies have further demonstrated that co-administration of recombinant human hyaluronidase reduces intra-individual and inter-individual pharmacokinetics variability, ensuring more consistent therapeutic outcomes. Recombinant human hyaluronidase combined with antibodies thus offers multiple advantages over traditional IV administration, including comparable efficacy, and superior safety and tolerability profile.

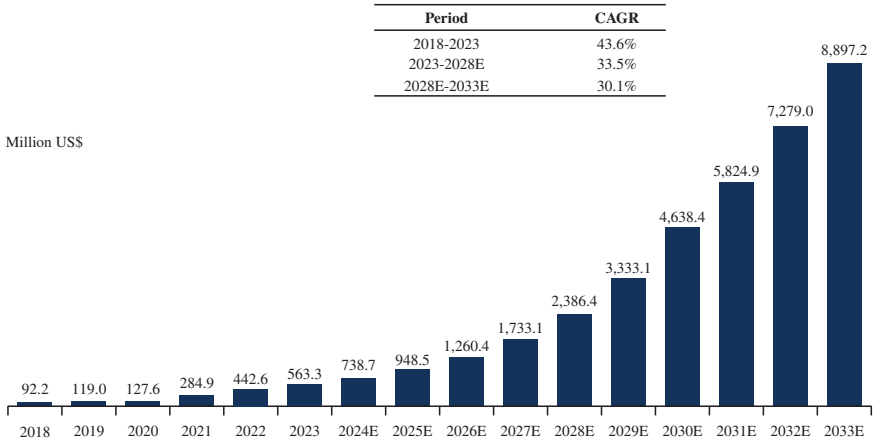
Market Opportunities and Market Size of Recombinant Human Hyaluronidase Combined with Antibodies

The market of recombinant human hyaluronidase combined with antibodies in China shows substantial growth potential, driven by unmet clinical needs and demand for innovative drugs. The global recombinant human hyaluronidase market operates through exclusive partnerships, creating significant unmet need for non-exclusive SC delivery solutions, particularly in established therapeutic pathways. In the HER2 antibody market, challenges including high costs, cardiotoxicity, and inconvenient intravenous administration limit accessibility and compliance. Recombinant human hyaluronidase SC delivery technology addresses these issues by optimizing drug utilization efficiency, reducing systemic toxicity, and improving the convenience of administration. Furthermore, it facilitates the development of innovative combination therapies, including mAbs, bispecific antibodies, immunotherapies such as T-cell engagers, and ADCs, offering the potential to enhance therapeutic outcomes while addressing current limitations in the market. The potential to mitigate adverse effects makes it valuable for enhancing safety in HER2 therapies, particularly in first-line treatment settings.

The antibody market in China has demonstrated consistent growth, with market size reaching RMB648.8 billion in 2033 with the rapid adoption of SC formulations exemplified by daratumumab SC, which was launched in 2020 and the market share of daratumumab SC formulation in the US increased from approximately 76% in 2021 to approximately 92% in 2023 of annual sales. In recent years, the market of recombinant human hyaluronidase combined with antibodies market has been pictured with promising future. The global market size of recombinant human hyaluronidase combined with antibodies grew from US$92.2 million in 2018 to US$563.3 million in 2023 at a CAGR of 43.6%, it is expected to reach US$2,386.4 million in 2028 with a CAGR of 33.5% from 2023 to 2028, and further increase to US$8,897.2 million in 2033, representing a CAGR of 30.1%. The market of recombinant human hyaluronidase combined with antibodies in China is expected to increase from

RMB1,028.0 million in 2028 to RMB3,200.9 million by 2033, indicating a CAGR of 25.5% from 2028 to 2033. The following chart describes the market of recombinant human hyaluronidase combined with antibodies globally for the indicated periods:

Global Recombinant Human Hyaluronidase Combined with Antibodies Market, 2018-2033E



Source: Frost & Sullivan analysis

Competitive Landscape of Recombinant Human Hyaluronidase Combined with Antibodies Market

As of the Latest Practicable Date, ENHANZE® remains the only FDA-approved platform enabling SC administration of biopharmaceuticals, including combination antibody therapies, making it a leader in this innovative drug delivery approach, according to Frost & Sullivan. Our Company is actively collaborating with other biopharmaceutical enterprises to advance the development of SC-administered antibody drugs utilizing recombinant human hyaluronidase-based technologies. As the first approved platform in this domain, ENHANZE® has forged early partnerships with prominent pharmaceutical companies to develop SC drug delivery products based on rHuPH20 and many of these collaborative products have already achieved market approval, contributing substantial revenue through royalties. In December 2024, the FDA approved Opdivo Qvantig™ (nivolumab with hyaluronidase) SC injection by Bristol Myers Squibb for almost all (9/11) approved Opdivo indications. This approval validates that bridging study could potentially support conversion from intravenous to SC administration across all approved indications. The streamlined regulatory pathway significantly de-risks development, accelerates timelines, and unlocks substantial commercial opportunities for SC administration conversion of established IV administration therapies.

Although a late entrant, Alteogen has established extensive collaborations with leading pharmaceutical companies to develop SC antibody drugs based on rHuPH20 variant in recent years. Notable partnerships include working with Merck Sharp & Dohme on the SC formulation of KEYTRUDA®, the top-selling drug globally in 2023, and with Daiichi Sankyo on the SC formulation of ENHERTU®, the leading global ADC product by sales in 2023.

The competitive landscape of approved biologics utilizing SC drug delivery systems in China has seen significant advancements, particularly with the integration of recombinant human hyaluronidase technology. The following diagram illustrates the details of the approved biologics based on SC drug delivery system with the integration of recombinant human hyaluronidase technology:

Generic Name	Company	Approval Date	Approved Indications	SC Drug Delivery		IV Single Dose Duration
				Subcutaneous Drug Delivery System	SC Single Dose Duration	
Daratumumab Subcutaneous Injection	Johnson & Johnson	2021/09/30	AL amyloidosis, multiple myeloma	PH20 (ENHANZE®)	3-5min	3-7h
Trastuzumab+hyaluronidase	Roche	2022/09/30	HER2-positive breast cancer	PH20 (ENHANZE®)	2-5min	30-90min
Pertuzumab Trastuzumab and Hyaluronidase-zzxf	Roche	2023/12/26	HER2+ Breast Cancer	PH20 (ENHANZE®)	5-8min	30-90min
Rituximab+hyaluronidase	Roche	2024/04/02	Diffuse large B-cell lymphoma, follicular lymphoma	PH20 (ENHANZE®)	5min	2-3h
Efgartigimod PH20 SC	Argenx	2024/07/19	Chronic inflammatory demyelinating polyneuropathy, myasthenia gravis	PH20 (ENHANZE®)	0.5-1.5min	1h

Source: NMPA, Frost & Sullivan analysis
Note: As of January 14, 2025

Recombinant Human Hyaluronidase Combined with Antibiotics for SC Delivery

Overview of Recombinant Human Hyaluronidase Combined with Antibiotics

β-lactam antibiotics, exemplified by ceftriaxone, remain fundamental in antimicrobial therapy due to their broad-spectrum bactericidal activity and cell wall synthesis inhibition mechanism. While their time-dependent efficacy traditionally necessitates prolonged IV infusion to maintain therapeutic concentrations above the minimum inhibitory concentration, this approach introduces challenges including extended administration times and reduced patient compliance. The synergistic application of recombinant human hyaluronidase and SC delivery system represents a significant advancement in antibiotics drug, particularly for β-lactam antibiotics. This innovative delivery method addresses the limitations of conventional IV administration while maintaining therapeutic efficacy against both Gram-positive and Gram-negative pathogens, representing a significant advancement in antibiotic delivery that optimizes both pharmacokinetic properties and patient experience.

According to Frost & Sullivan, clinical studies have shown that SC administration of antibiotics such as ceftriaxone achieves similar AUC, drug half-life (t1/2), and lower Cmax compared to IV administration, thereby improving clinical safety while maintaining the same efficacy. However, SC administration of ceftriaxone necessitates higher concentrations due to the limitations of the administered volume, and high concentrations of ceftriaxone can lead to toxic reactions at the injection site and even tissue damage. The ability of hyaluronidase to facilitate subcutaneous absorption of large volumes of drug makes it possible to administer large volumes of ceftriaxone at low concentrations via subcutaneous administration. Through enhanced drug absorption, recombinant human hyaluronidase not only promotes the antibiotic's entry into the human body through the subcutaneous route but also enables rapid drug entry into the bloodstream, and improving patient compliance.

Market Opportunities and Market Size of Recombinant Human Hyaluronidase Combined with Antibiotics

As of the Latest Practicable Date, there is no recombinant human hyaluronidase-based combination antibiotic drug was approved or entered clinical trials globally. The advantages of SC administration, such as its ability to be performed outside hospital settings, improved adherence to treatment regimens, and alignment with the growing focus on community-based care models, are particularly relevant given the large patient population requiring antibiotic interventions, the increasing emphasis on patient-centric therapeutic approaches, and the rising use of recombinant human hyaluronidase products. These factors collectively contribute to a clear trend toward broader adoption of SC antibiotic administration supported by recombinant human hyaluronidase, which offers both clinical and logistical benefits. The expansion of traditional antibiotics market further creates opportunities for novel combination approaches with recombinant human hyaluronidase globally.

The antibiotic drugs market in China experienced a contraction from 2018 to 2033 due to the impact of centralized procurement policies. In 2018, the market size was RMB162.3 billion and declined to RMB124.7 billion in 2023, representing a CAGR of -5.1%. From 2028 to 2033, the market is anticipated to recover slightly, growing from RMB118.3 billion to RMB128.3 billion at a CAGR of 1.6%. Within the market of recombinant human hyaluronidase combined with antibiotics, the market of recombinant human hyaluronidase in China is projected to emerge as a significant market segment, with growth forecasted to grow from RMB247.7 million in 2028 to RMB2,762.4 million in 2033 with a CAGR of 62.0%.

Market Drivers and Future Trends of the SC Drug Delivery System Market

According to Frost & Sullivan, the primary growth drivers and market trends for SC drug delivery system market in China include:

- *Improving Patient Compliance.* SC formulations transformed from IV administration significantly reduce treatment time from hours to minutes, particularly benefiting cancer and chronic disease patients. The convenience of

self-administration at home or outpatient settings enhances patient comfort and treatment adherence, resulting in improved quality of life and healthcare outcomes, thus driving the increasing demand.

- *Broadening Applications of Drugs.* The introduction of recombinant human hyaluronidase has expanded SC delivery beyond traditional small molecules to include antibodies, proteins, and biologics. While currently focused on antibody and protein drugs, the technology is expanding into ADCs and exploring new areas like antibiotics.

- *Continuous Innovation of Technology Platforms.* Evolution from animal-derived to recombinant human hyaluronidase through genetic engineering has improved product quality while reducing costs. Emerging technologies like synthetic biology are expected to optimize manufacturing processes, ensuring sustainable and cost-effective large-scale production.

- *Deepening Cooperation with Pharmaceutical Companies.* Rising global demand has fostered partnerships between biopharmaceutical companies and hyaluronidase developers. Leading players in the industry are dedicated to exploit regional partnerships for their candidates, accelerating innovation in biologics and biosimilars development.

ANALYSIS OF ANTIBODY-MEDIATED AUTOIMMUNE DISEASES MARKET

Overview of Antibody-mediated Autoimmune Diseases

Antibody-mediated autoimmune diseases constitute a heterogeneous group of disorders caused by the aberrant hyperactivity of B cells, which produce antibodies targeting the body's own organs. These diseases exhibit diverse clinical manifestations and may involve multiple organ systems. In antibody-mediated autoimmune diseases, pathogenic antibodies attack or damage self-proteins, cells, and tissues, often leading to serious consequences. The scope of antibody-driven autoimmune diseases spans dermatological, rheumatological, neurological, hematological, and renal disorders. It is estimated that 2.5% of the global population, approximately 195 million people, suffer from some form of autoantibody-driven disease, many of which are classified as rare diseases. Current mainstay therapeutic approaches for these conditions include glucocorticoids, immunosuppressants, intravenous immunoglobulin, plasmapheresis, immunoadsorption, and targeted therapies.

The acute exacerbation of autoimmune diseases varies in presentation depending on the specific disorder but is commonly characterized by a rapid worsening of clinical symptoms in the target organs over a short period. These acute episodes often result in severe clinical outcomes. For instance, acute attacks in neuromyelitis optica spectrum disorder can lead to blindness, while acute exacerbations of Guillain-Barré syndrome may cause respiratory muscle paralysis, potentially resulting in death. Similarly, during acute phases of other autoimmune

diseases such as myasthenia gravis, hemolytic disease of the fetus and newborn, systemic lupus erythematosus, pemphigus, and immune idiopathic thrombocytopenia, the rapid clearance of autoantibodies and prompt control of inflammation are critical for improving patient outcomes.

Following the remarkable success of therapeutic macromolecules, particularly antibody-based drugs, in the field of oncology, the application of macromolecular therapies to treat autoantibody-driven autoimmune diseases represents a promising new frontier for significantly improving patient health. Although plasmapheresis and targeted therapies are already widely used in this area, their slow onset of action and inability to rapidly remove pathogenic IgG antibodies from the bloodstream render them suboptimal for the treatment of patients with acute life-threatening conditions patients. There is an urgent need for new therapeutic strategies. One particularly exciting advancement is the development of IgG-degrading enzymes, which can precisely cleave pathogenic IgG antibodies, offering rapid and targeted treatment with minimal side effects. This approach addresses the unmet needs in the management of severe IgG-mediated autoimmune diseases.

IgG-Degrading Enzymes

Overview of IgG-Degrading Enzymes

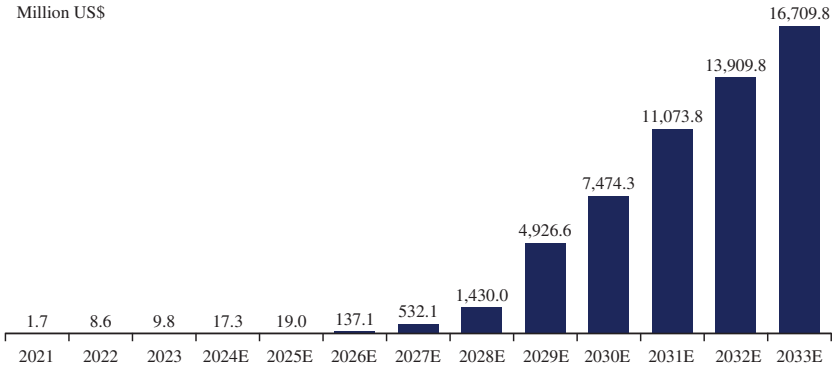
IgG is the most abundant class of antibodies in the bloodstream and extracellular fluid, comprising approximately 75% of serum immunoglobulin and playing a pivotal role in the immune response by recognizing and neutralizing pathogens such as bacteria, viruses, and toxins. IgG-degrading enzymes are specialized proteolytic enzymes that rapidly and precisely cleave IgG antibodies, which typically target and break down IgG into $F(ab')_2$ and Fc fragments at specific site, thereby targeting the root cause of pathogenic IgG activity. By cleaving the Fc region of IgG, these enzymes neutralize pathogenic antibodies and rapidly control excessive immune activation, reducing the risk of inflammatory complications such as cytokine storms, organ damage, and chronic inflammation. This modulation of the immune response enables prompt recovery and makes IgG-degrading enzymes a promising therapeutic strategy for managing acute flares in autoimmune diseases, antibody-mediated rejection in transplantation, and other hyperinflammatory conditions. IgG-degrading enzymes are also effective in reducing donor-specific antibodies (DSA) to prevent antibody-mediated rejection (AMR) in kidney and heart transplantation. Additionally, IgG-degrading enzymes have been explored for treating rare immunoglobulin-related conditions, further expanding their therapeutic applications. Their ability to specifically target and degrade IgG at the hinge region makes them highly effective in inactivating pathogenic IgG, offering a targeted approach to immune modulation. This precision and versatility highlight their value across a broad spectrum of immune-related disorders.

IgG-degrading enzymes have been explored for its potential in treating a range of acute autoimmune diseases including anti-glomerular basement membrane (anti-GBM), Guillain-Barré Syndrome (GBS) and other autoimmune diseases, where they mitigate antibody-mediated tissue damage and disease severity by degrading pathogenic IgG antibodies. The global IgG-degrading enzyme market is poised for remarkable growth, the market size increased from US$1.7 million in 2021 to US$9.8 million in 2023 and is projected to reach a value of US$1,430.0 million in 2028 with a CAGR of 171.1% from 2023 to 2028. From 2028

to 2033, growth is forecast to stabilize, with a CAGR of 63.5%, propelling the market size to US$16,709.8 million by 2033. Meanwhile, the IgG-degrading enzyme market in China is expected to gain momentum slightly later, is projected to grow at a robust CAGR of 81.6% from 2028 to 2033, expanding from RMB326.6 million in 2028 to RMB6,452.5 million in 2033. The following table describes the market of IgG-degrading enzymes globally for the indicated periods:

Global IgG-Degrading Enzyme Market Size, 2021-2033E

Period	CAGR
2023-2028E	171.1%
2028E-2033E	63.5%



Source: Frost & Sullivan analysis

Global Competitive Landscape and Market Size of IgG-Degrading Enzymes

As of the Latest Practicable Date, around the globe, there were three IgG-degrading enzymes candidates under clinical development and only one approved IgG-degrading enzyme product, Idefirix®, which was marketed in Europe. Our KJ103 is under Phase II/III for kidney transplantation rejection and Phase II for anti-GBM disease, with no other IgG-degrading enzyme product in clinical stage or approved in China. Notably, KJ103 is the first low immunogenicity IgG-degrading enzyme capable of lowering pre-existing antibodies to enter clinical stage globally, demonstrating the first and most advanced position of our Company in this field.

The following diagram illustrates the details of marketed product of IgG-degrading enzymes globally:

Drug Name	Generic name	Company	Target	Indications	Approved region	Approved Date
Idefirix®	Imlifidase	Hansa Biopharma	IgG	Desensitization treatment of highly sensitized adult kidney transplant patients	EMA	2020/08/25

Source: Frost & Sullivan analysis
Note: As of January 14, 2025

The following diagram illustrates the details of IgG-degrading enzymes pipeline globally:

Drug Name	Company	Target	Indications	Stage	First Post Date
KJ103	**Our Company**	IgG	Desensitization before kidney transplantation	II/III	2023/12/25
			Anti Glomerular Basement Membrane (Anti-GBM)	II	2024/09/30
			Acute severe autoimmune diseases mediated by pathogenic IgG autoantibodies	I	2022/03/10
Idefirix®	Hansa Biopharma	IgG	Anti Glomerular Basement Membrane (Anti-GBM)	III	2023/01/11
			Guillain-Barré syndrome (GBS)	II	2018/12/19
			Crigler-Najjar syndrome	II	2024/07/24
			Muscular dystrophy	I	2023/01/31
HNSA-5487	Hansa Biopharma	IgG	Autoimmune diseases	I	2023/04/20

Source: Clinicaltrials.gov, CDE, NMPA, Frost & Sullivan analysis
Note: As of January 14, 2025

Selected Indications targeted by IgG-Degrading Enzymes

Organ Transplantation Rejection

Allograft

As success of organ transplantation improves and indications expand, organ transplantation has become a widely accepted treatment. The number of organ transplantation operations globally operations rose from 139,024 in 2017 to 157,494 in 2022, with the number of operations in China increasing from 16,687 to 20,273 in the same period. Specifically, the number of kidney transplantation operations globally increased from 90,306 in 2017 to 102,090 in 2022, with the number of operations in China rising from 10,793 to 12,712 in the same period. As transplant efficacy improves and indications expand, kidney transplantation is increasingly accepted by patients with end-stage kidney disease as a standard treatment option.

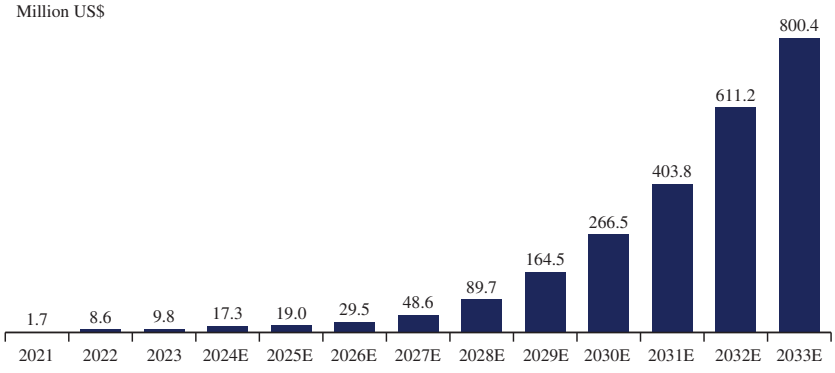
Organ transplant rejection occurs when the recipient's immune system recognizes the transplanted organ as foreign and mounts an immune response against it. This immune reaction is a significant complication in organ transplantation, as the body attempts to eliminate what it perceives as a threat. Current treatment strategies of organ transplant rejection include: (i) immunosuppressive drugs such as calcineurin inhibitors, corticosteroids, and antiproliferative agents, which directly functions to inhibit the immune response; (ii) plasmapheresis, which is used in AMR to remove harmful antibodies from the blood; and (iii) intravenous immunoglobulin (IVIg), administered in high doses to dilute pathogenic antibodies, thereby mitigating their harmful effects and modulating the immune response. Considering the limitations faced by the current multiple approaches for organ transplant rejection, there continues to be significant unmet medical needs that hinder the success of organ transplant.

As of the Latest Practicable Date, only one IgG-degrading enzyme product targeting kidney transplantation rejection is available globally, Idefirix®, was marketed in Europe. KJ103 is currently in Phase II/III for desensitization before kidney transplantation, being the most clinical advanced low immunogenicity product globally with no other IgG-degrading enzyme product in clinical stage or approved in China or globally.

The market of IgG-degrading enzyme targeting kidney transplantation globally reached US$9.8 million in 2023, and is estimated to reach US$89.7 million in 2028 with a CAGR of 55.8% from 2023 to 2028 and US$800.4 million in 2033, representing CAGR of 54.9% from 2028 to 2033. As of the Latest Practicable Date, there is no IgG-degrading enzyme products targeting kidney transplantation available in China. However, the market of IgG-degrading enzyme targeting kidney transplantation in China is projected show robust growth with market size of RMB239.8 million in 2028 and RMB1,186.6 million in 2033, representing CAGR of 37.7% from 2028 to 2033. The following chart describes the market of IgG-degrading enzyme targeting kidney transplantation globally for the indicated periods:

Global IgG-Degrading Enzyme Targets Kidney Transplantation Market Size, 2021-2033E

Period	CAGR
2023-2028E	55.8%
2028E-2033E	54.9%



Source: Frost & Sullivan analysis

Xenotransplantation

Xenotransplantation, the transplantation of organs, tissues, or cells from non-human species into humans, is a groundbreaking approach aimed at addressing the severe shortage of human organs and offering timely solutions for patients with end-stage organ failure or other critical conditions. Pigs are the primary donor species due to their anatomical and physiological similarities to humans, rapid breeding, and the feasibility of genetic modifications to enhance compatibility. Applications include solid organ transplants (e.g., hearts, kidneys, livers), tissue use (e.g., pig skin for burn victims), and cellular therapies (e.g., porcine neural cells for neurodegenerative diseases).

However, xenotransplantation faces significant challenges, with immune rejection being one of the main issues. The human immune system often attacks animal-derived transplants, resulting in hyperacute, acute, or chronic rejection. While immunosuppressive drugs provide some relief, they carry risks of infections and have limited long-term efficacy. Advances in gene-editing technologies like CRISPR-Cas9 have reduced immune rejection, but further innovations are needed to improve xenograft longevity and eliminate immunological mismatches. Regulatory and societal barriers, including the lack of global guidelines and public misconceptions, also hinder progress. However, recent developments, such as successful pig kidney transplants lasting over 60 days and genetically modified pig heart transplants, demonstrated tangible progress toward resolving compatibility challenges. Xenotransplantation holds promise in addressing the critical global organ shortage, and the ability to genetically modify donor animals could potentially create organs with enhanced functionality and lower immunogenicity, leading to better transplant outcomes than traditional allografts.

IgG-mediated acute autoimmune diseases

IgG-mediated autoimmune diseases arise when the immune system mistakenly attacks the body's tissues through IgG autoantibodies, triggering mechanisms such as complement activation, Fc receptor signaling, and immune complex deposition. These processes vary depending on the disease and environmental factors. Research on the four IgG subclasses remains limited, leaving gaps in understanding their unique roles in disease. Current therapies rely on broad immunosuppression, increasing infection risks and failing to specifically target pathogenic IgG. Diagnostic tools also lack specificity, as IgG antibodies can appear in healthy individuals, leading to false positives. Emerging therapies, such as FcRn antagonists, such as efgartigimod, and bispecific antibodies, hold promise for targeting pathogenic IgG more effectively while minimizing side effects. Notably, IgG-degrading enzymes offer a novel approach by cleaving IgG to reduce pathogenic antibodies, shown promising potential in treating acute autoimmune disorders like Myasthenia Gravis, GBS, anti-GBM disease and antibody-mediated rejection in transplantation, providing a targeted therapeutic option for IgG-driven diseases.

Anti-GBM Diseases

Anti-GBM disease is an organ-specific autoimmune disorder characterized by the presence of autoantibodies targeting the glomerular and alveolar basement membranes, leading to rapidly progressive glomerulonephritis and severe alveolar hemorrhage. The global incidence of anti-GBM disease increased from 8.7 thousand in 2018 to 9.6 thousand in 2023, and is expected to reach 12.1 thousand in 2033. Specifically, the incidence of anti-GBM disease in China increased from 1.2 thousand in 2019 to 1.3 thousand in 2023, and is expected to reach 1.4 thousand in 2033.

Currently, the primary treatment applied for anti-GBM diseases is plasmapheresis, which directly remove pathogenic antibodies, and immunosuppressive therapy may be combined to inhibit antibody production and rebound hyper synthesis for the discontinuation of plasma exchange. Kidney transplantation is a viable option for patients with end-stage renal disease secondary to anti-GBM disease. The IgG-degrading enzyme serves as a novel therapeutic proteinase that cleaves human IgG preventing subsequent complement and neutrophil-induced injury. Compared to conventional therapies, IgG-degrading enzymes demonstrate remarkable efficacy and efficiency, rapidly decreasing anti-GBM antibody titers to undetectable or non-toxic levels within hours. By rapidly degrading pre-existing pathogenic antibodies, IgG-degrading enzyme effectively complements immunosuppressive therapy, which primarily inhibits the production of new antibodies but does not directly address the pathological antibodies already circulating in the body.

Guillain-Barré Syndrome

GBS is an immune-mediated peripheral neuropathy characterized by acute, symmetrical weakness and reduced or absent reflexes. It presents with a wide range of motor impairments, including flaccidity, hyporeflexia, and progressive ascending paralysis. The global incidence of GBS increased from 95.8 thousand in 2018 to 106.0 thousand in 2023, and is expected to reach 134.0 thousand in 2033. The incidence of GBS in China increased from 9.6 thousand in 2018 to 10.2 thousand in 2023, and expected to reach 11.3 thousand in 2033.

While there is no known cure for GBS, treatments can help alleviate symptoms and shorten its duration. Given the autoimmune nature of the disease, the acute phase is typically managed with immunotherapies, such as plasma exchange to remove harmful antibodies from the blood or IV immunoglobulin. Additionally, IgG-degrading enzymes, which break down IgG antibodies, offer a promising new treatment for GBS, rapidly mitigating pathological damage and relieving symptoms, while minimizing significant side effects.

Market Drivers and Future Trends of IgG-Degrading Enzyme Therapies

According to Frost & Sullivan, the primary growth driver and market trends for IgG-degrading enzyme market globally and in China include:

- *Rising Demand for Acute Autoimmune Disease Treatments.* Escalating prevalence of acute autoimmune pathologies, coupled with heightened immunological awareness and regulatory incentives such as BTD and Orphan Drug Designation (ODD), has catalyzed the emergence of IgG-degrading enzyme therapeutics as promising interventions for selective immunoglobulin modulation in clinical applications.

- *Improved Affordability and Payment Capabilities.* The rise of disposable income, particularly in developing countries, coupled with enhanced healthcare investment propensity, catalyzes accessibility to IgG-degrading enzyme therapeutics, fostering market penetration and development of these specialized biological interventions.

- *Expanding Indications and Application*. IgG-degrading enzymes show promise in treating autoimmune diseases like systemic lupus erythematosus by targeting pathogenic IgG. Their integration with immunomodulatory therapies, such as monoclonal antibodies, offers potential for enhanced efficacy, reduced side effects, and personalized therapeutic approaches.

- *Enhanced Safety and Specificity*. Advancement in protein engineering could expand their use to a wider range of complex autoimmune disorders, positioning IgG-degrading enzymes as transformative agents in the treatment landscape.

Antibodies Resistant to Enzymatic Degradation Combined with IgG-Degrading Enzyme

The combination of antibodies resistant to enzymatic degradation and IgG-degrading enzymes represents a significant advancement addressing key limitations of traditional antibody-based therapies. This dual approach employs IgG-degrading enzymes to selectively reduce circulating IgG levels, mitigating immunoglobulin interference and creating a more favorable therapeutic environment for antibodies targeting tumor-specific antigens. At the same time, therapeutic antibodies engineered for resistance to enzymatic degradation maintain their stability in plasma and improve their half-life. This strategy not only improves treatment efficacy but also lowers the required antibody dosage, offering a safer and more cost-effective option.

ANALYSIS OF ASSISTED REPRODUCTION DRUGS MARKET

Assisted Reproduction Drugs Market

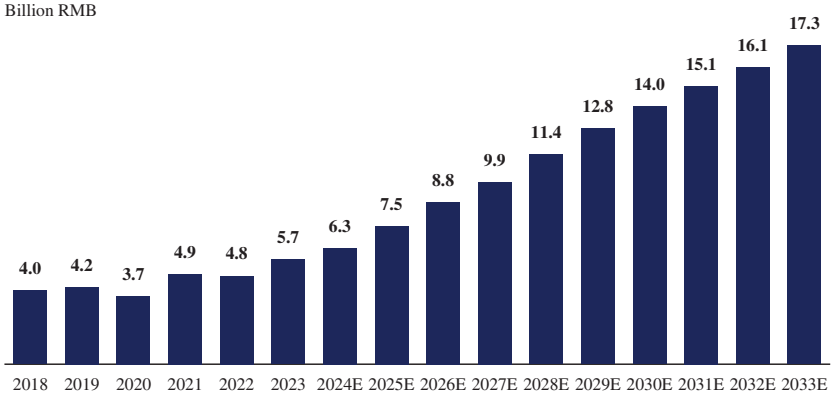
Infertility refers to a disease of the reproductive system characterized by the failure to achieve clinical pregnancy after 12 months or more of regular unprotected sexual intercourse. Infertility is becoming increasingly prevalent globally, primarily driven by increasing average age of first birth, as well as unhealthy lifestyle and environmental factors. The incidence of infertility among couples in China increased from 55.4 million in 2018 to 57.8 million in 2023 with the CAGR of 0.8%, and is expected to reach 66.1 million in 2028, with the CAGR of 2.7% from 2023 to 2028. The incidence of infertility among couples in China is further expected to reach 75.3 million in 2033 with the CAGR of 2.6% from 2028 to 2033.

In response to such increase in the global infertility rate, a number of treatments has emerged, including medication, surgery and assisted reproductive technology (ART). Among them, ART has become the primary treatment option for infertility due to its relatively high success rate and application to multiple complicated infertility. Drugs used in assisted reproduction mainly treat infertility by solving ovulation problems for infertile female people. Among drugs used in assisted reproduction, ovulation induction drugs become one of the most commonly used in clinical practice, which can induce ovulation and control ovarian stimulation.

In recent years, the market for drugs used in assisted reproduction in China has demonstrated consistent growth, with market size reaching RMB4.0 billion in 2018 and RMB5.7 billion in 2023, with the CAGR of 7.1% from 2018 to 2023. The market is forecasted to reach RMB11.4 billion by 2028 at a CAGR of 14.9% from 2023 to 2028. The market is then expected to reach RMB17.3 billion by 2033 at a CAGR of 8.8% from 2028 to 2033. The following table describes the market for drugs used in assisted reproduction in China from 2018 to 2033:

Market Size of Drugs Used in Assisted Reproduction in China, 2018-2033E

Period	CAGR
2018-2023	7.1%
2023-2028E	14.9%
2028E-2033E	8.8%



Source: Literature review, Frost & Sullivan analysis

Recombinant Human Follicle Stimulating Hormone Market

Follicle Stimulating Hormone (FSH) is a glycoprotein hormone produced and secreted by the pituitary gland, playing a vital role in human reproduction. It functions as a stimulator of the ovarian follicles maturation in women and spermatogenesis in men, thus widely used in infertility treatment and has become one of the important drugs in assisted reproduction. FSH being developed as a drug can be categorized into two types: urinary FSH and recombinant FSH. Recombinant human FSH, produced through genetic recombination techniques, offers superior quality and efficacy compared to urinary FSH. Its long-acting FSH variant, a modified form of FSH with an extended half-life, achieved through structural alterations such as glycosylation, requires just one single injection versus daily shots, improving treatment compliance and reducing patient burden.

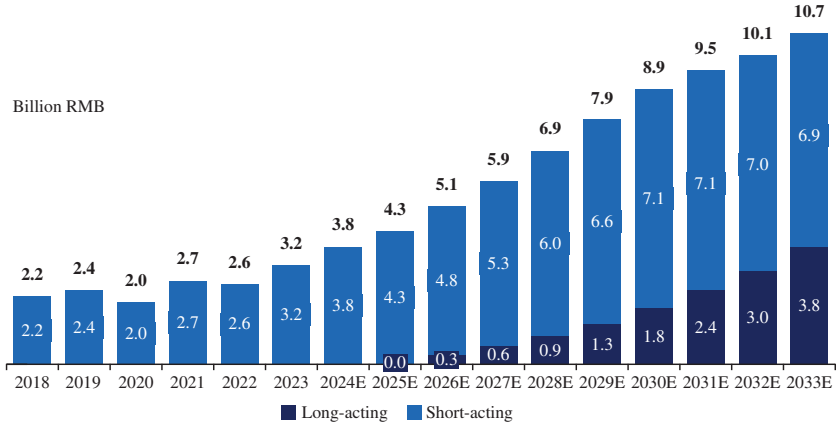
Overview of FSH Market

Currently, there are two main forms of recombinant human FSH available on the market: short-acting FSH and long-acting FSH (predominantly represented by FSH-CTP). While they share similar therapeutic efficacy and safety profiles, these two forms differ in various aspects such as cost and duration of efficacy. The innovative long-acting FSH-CTP formulation, which incorporates a CTP sequence, extending its half-life, enabling reduced injection frequency and improving patient compliance. As production technologies advance, the cost of FSH-CTP is expected to decline, further enhancing its market prospects.

In China, the FSH market increased from RMB2.2 billion in 2018 to RMB3.2 billion in 2023 with a CAGR of 7.3%, and is projected to reach RMB6.9 billion by 2028, reflecting a CAGR of 16.8% from 2023 to 2028 and is further expected to RMB10.7 billion in 2033 at a CAGR of 9.1% from 2028 to 2033. Long-acting FSH's market entry was delayed until 2025 due to complex technical requirements. For instance, FSH-CTP demands precise control of binding sites and expression processes, while glycosylation patterns and cell culture parameters necessitate sophisticated manufacturing controls to ensure consistent product quality. The long-acting FSH segment is estimated to account for RMB0.9 billion in 2028 and RMB3.8 billion of the market in 2033 with a CAGR of 33.1% from 2028 to 2033. Meanwhile, the short-acting FSH market segment is estimated to account for RMB6.0 billion and RMB6.9 billion in 2028 and 2033, respectively, representing a CAGR of 2.8% from 2028 to 2033. The following table describes the FSH market in China from 2018 to 2033:

Market size of FSH in China, 2018-2033E

Period	CAGR		
	Long-acting	Short-acting	Total
2018-2023	–	7.3%	7.3%
2023-2028E	–	13.6%	16.8%
2028E-2033E	33.1%	2.8%	9.1%



Source: Literature review, Frost & Sullivan analysis

Competitive Landscape of Recombinant Human FSH in China

The clinical demand for long-acting FSH drugs in assisted reproduction has persisted for years, yet no such products are currently approved for use in China. Notably, the first long-acting FSH formulation, Elonva®, was approved in the EU market in 2010. This innovative drug allows for a single injection to stimulate follicular development over an extended period, reducing the frequency of administration and potentially improving patient compliance and convenience. Despite its approval and clinical use in the EU, Elonva has yet to be made available in China, leaving a significant gap in the therapeutic options for patients undergoing assisted reproductive treatments within the country.

As of the Latest Practicable Date, only short-acting FSH products are available with no recombinant human long-acting FSH-CTP product marketed in China. The table below sets forth details of marketed recombinant human FSH in China:

Drug name	Generic name	Company	First approval date
GONAL-f®	Recombinant Human Follitropin Injection	Merck	2000/04/26
PUREGON®	Recombinant Follitropin Beta Injection	Organon	2005/10/28
Jinsaiheng®	Recombinant Human Follitropin for Injection	GenSci	2015/05/27
Follitrope®	Recombinant Human Follitropin Prefilled Syringe	LG Chem	2021/04/07
Anxinbao®	Recombinant Human Follitropin for Injection	Qilu Pharmaceutical	2021/12/14
Rekovelle®	Human Follitropin delta injection	Ferring Pharma	2024/05/09

Source: NMPA, Frost & Sullivan analysis
Note: As of January 14, 2025

As of the Latest Practicable Date, there are five short-acting FSH candidates and four FSH-CTP candidates in China. Our Company's SJ02 is positioned the most clinically advanced FSH-CTP products in China.

The following diagram illustrates the details of marketed FSH-CTP product globally:

Generic Name	Drug Name	Company	Target	Indications	Approved Date
Corifollitropin alfa	Elonva	MSD	FSHR	Hypogonadotropic hypogonadism, ovulation induction	2010/01/25

Source: Frost & Sullivan analysis
Note: As of January 14, 2025

The following diagram illustrates the details of clinical-stage FSH-CTP candidates in China:

Drug Name	Company	Target	Indications	Stage	Approved Date / First Post Date
SJ02	**Our Company**	FSHR	Ovulation induction	NDA	2024/01/19
SAL016	Salubris	FSHR	For patients undergoing superovulation or assisted reproductive technology (ART)	NDA	2024/07/18
Follitropin	SL Pharm	FSHR	For patients undergoing superovulation or assisted reproductive technology (ART)	III	2023/01/27
Recombinant human FSH-CTP fusion protein	Suzhou Jingze Biopharm	FSHR	Ovulation induction	IND	2025/01/07

Source: Clinicaltrials.gov, CDE, NMPA, Frost & Sullivan Analysis
Note: As of January 14, 2025

Market Drivers and Future Trends of Recombinant Human FSH

According to Frost & Sullivan, the primary growth driver and market trends for recombinant human FSH market globally and in China include:

- *Increasing infertility incidence.* Rising infertility rates globally and in China, coupled with delayed childbirth, are driving increased demand for ART treatments and Meta-analysis shows significant sperm count drops from 1973 to 2018. The proven efficacy of recombinant human FSH for both genders further propels fertility treatment market growth.

- *Growing acceptance for assisted reproduction.* The regulatory frameworks for assisted reproductive services, particularly the 2015 National Health Commission guidelines, have catalyzed increased societal acceptance and demand for fertility treatments, consequently driving the utilization of reproductive pharmaceuticals, including recombinant human FSH preparations.

- *Improved affordability and payment capabilities.* In March 2022, Beijing expanded the reimbursement scope of Class A medical insurance coverage to encompass ART procedures, coupled with rising per capita disposable income in China, has enhanced healthcare expenditure propensity, forecasting improved accessibility and market growth for ovulation-inducing pharmaceuticals.

- *Increasing licenses for assisted reproductive institutions.* National Health Commission's demographic-based institutional licensing framework has catalyzed provincial expansion of assisted reproductive facilities, amplifying market demand for recombinant human FSH therapeutics.

ANALYSIS OF RECOMBINANT BIOLOGIC PRODUCTS AS ALTERNATIVES TO BIOCHEMICAL DRUGS

Overview of the Recombinant Biologic Drugs Produced using Synthetic Biology

Synthetic biology represents a revolutionary paradigm in biopharmaceutical development, fundamentally transforming the production of recombinant biologic drugs through precise genetic engineering and cellular programming. This cutting-edge approach harnesses living organisms as sophisticated "cellular factories" to synthesize complex therapeutic molecules with unprecedented precision and efficiency. By engineering host organisms manufacturers can produce human-compatible proteins and enzymes at commercial scale with superior quality and consistency. This technological advancement has overcome critical limitations of traditional biochemical extraction methods, including inconsistent quality, supply chain instability, and environmental sustainability concerns. The contained nature of these bioprocesses significantly enhances operational safety while ensuring product purity, leading to more reliable therapeutic outcomes.

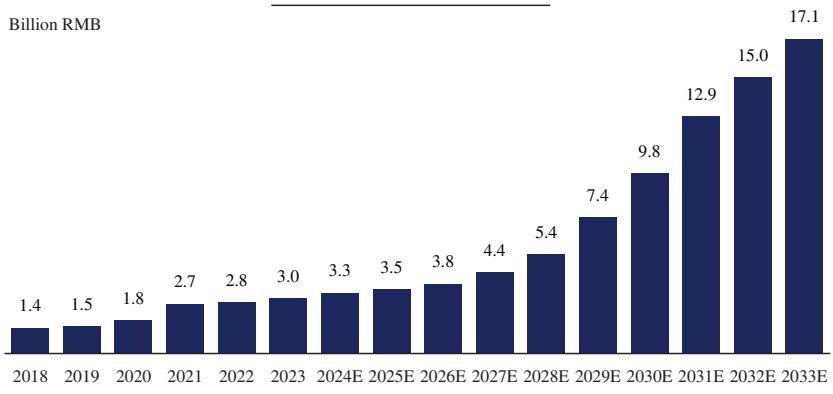
The impact of synthetic biology in recombinant biologics spans across multiple therapeutic areas, exemplified by breakthrough treatments such as recombinant factor VIII for hemophilia A, tissue plasminogen activator (tPA) for acute ischemic stroke, recombinant human hyaluronidase for large volume SC administration. The manufacturing process involves sophisticated bioengineering techniques, including codon optimization, promoter engineering, and post-translational modification control, ensuring the produced proteins maintain proper folding, glycosylation, and biological activity. However, the development and commercialization of these advanced therapeutics present substantial challenges, requiring specialized expertise in molecular biology, protein engineering, and bioprocess development. Companies must navigate complex regulatory frameworks established by authorities such as the FDA and NMPA, involving extensive clinical trials and stringent cGMP compliance. Success in this field demands state-of-the-art facilities equipped with advanced bioreactors and purification systems, alongside significant investment in research and development to optimize production yields and product quality while maintaining cost-effectiveness.

Market Size of Recombinant Enzyme Drugs

Recombinant enzyme drugs are predominantly utilized in multiple therapeutic areas and other medical fields and positioned as an ideal alternative to animal-derived enzyme and further reaching border application scenarios due to its recombinant nature. In 2018, the recombinant enzymes market was valued at RMB1.4 billion in China and increased to RMB3.0 billion in 2023 with a CAGR of 16.4%, and is projected to reach RMB5.4 billion by 2028, reflecting a CAGR of 12.3% from 2023 to 2028. It is expected to reach RMB17.1 billion by 2033, experiencing a CAGR of 25.8% from 2028 to 2033. The following table describes the recombinant enzymes market in China from 2018 to 2033:

Recombinant Enzymes Market in China, 2018-2033E

Period	CAGR
2018-2023	16.4%
2023-2028E	12.3%
2028E-2033E	25.8%



Source: Literature review, Frost & Sullivan analysis

Market Drivers and Future Trends of Recombinant Biologic Drugs

According to Frost & Sullivan, the primary growth driver and market trends for recombinant biologic drugs globally and in China include:

- *Regulatory Trend in Favor of Recombinant Biologic Drugs.* Stricter cGMP regulations for traditional biochemical products drive up manufacturing costs, creating opportunities for recombinant alternatives that offer better safety profiles and lower risks of zoonotic disease transmission.

- *Increasing Demand for Advanced Therapies.* Precision medicine advancement drives demand for recombinant biologics. These therapeutics target specific molecular pathways with minimal off-target effects, showing superior efficacy and safety.

- *Rising Prevalence of Chronic and Rare Diseases.* Aging population and lifestyle changes of China have increased chronic disease burden, particularly metabolic diseases, autoimmune disorders, and cardiovascular diseases. Recombinant biologics like cytokines, and enzyme therapies address these conditions with higher specificity than traditional pharmaceuticals.

- *Advancements in Bioprocessing Technologies.* Implementation of advanced bioprocessing platforms, including innovative culture systems and automated purification processes, has enhanced production efficiency. Chinese manufacturers are leveraging their superior supply chain networks and large-scale production cost advantages, reducing production costs while maintaining product quality.

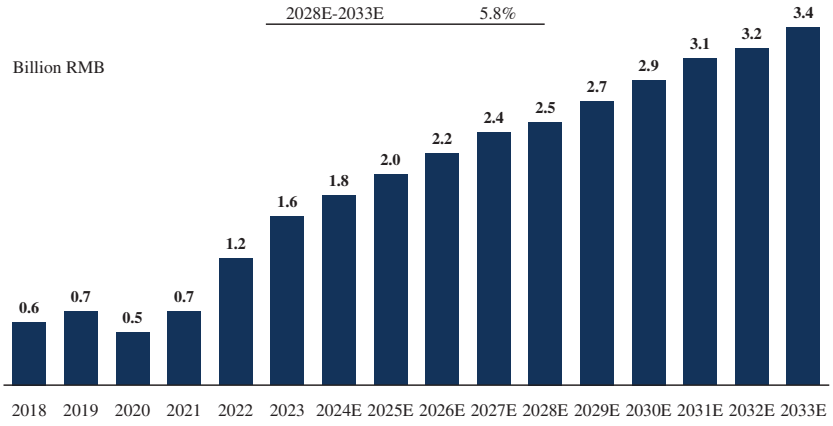
Chymotrypsin Market

Chymotrypsin, distinct from other mammalian variants, is a specialized serine protease uniquely adapted to the human digestive system. Among variants, human chymotrypsin has emerged as a valuable therapeutic enzyme, known for its anti-inflammatory and proteolytic effects, particularly in reducing post-surgical inflammation, promoting wound healing, and removing necrotic tissue. The recombinant human chymotrypsin technology involves expressing the corresponding enzyme's gene in a Pichia pastoris after the sequence is obtained, followed by large-scale fermentation for cultivation. Recombinant human chymotrypsin is well-positioned as an ideal alternative to traditional animal-derived products. It offers several superior advantages, including higher purity, improved expression efficiency, simplified production processes, and eliminated risk of animal-derived contaminants.

The chymotrypsin market in China increased from RMB0.6 billion in 2018 to RMB1.6 billion in 2023 with a CAGR of 20.5%, and is projected to reach RMB2.5 billion in 2028, representing a CAGR of 9.1% from 2023 to 2028. Market value is estimated to further increase to RMB3.4 billion by 2033, indicating a CAGR of 5.8% from 2028 to 2033. The following table describes the chymotrypsin market in China from 2018 to 2033:

Chymotrypsin Market in China, 2018-2033E

Period	CAGR
2018-2023	20.5%
2023-2028E	9.1%
2028E-2033E	5.8%



Source: Literature review, Frost & Sullivan analysis

As of the Latest Practicable Date, there is no recombinant human chymotrypsin pharmaceutical products available on the market in China. The following diagram sets forth details of the pipeline of recombinant human chymotrypsin candidates in China:

Drug Code	Company	Status	First Posted Date
HY1005-Oral	Wuhan Healthgen Biotechnology	Phase II	2024/12/12
HY1005-Injection		Phase I	2024/05/29
KJ101	**Our Company**	IND	2024/11/18

Source: CDE, Frost & Sullivan analysis
Note: As of January 14, 2025

According to Frost & Sullivan, the human chymotrypsin market is driven by advancements in recombinant technology, offering improved purity, stability, and safety over animal-derived alternatives. Expanding therapeutic applications, such as in inflammation resolution and wound healing, further fuel growth. The industry's shift to recombinant methods addresses safety, consistency, and ethical concerns while meeting stricter global standards. Additionally, synthetic biology innovations reduce production costs, enhance accessibility, and improve international competitiveness, aligning with evolving regulatory and quality requirements.

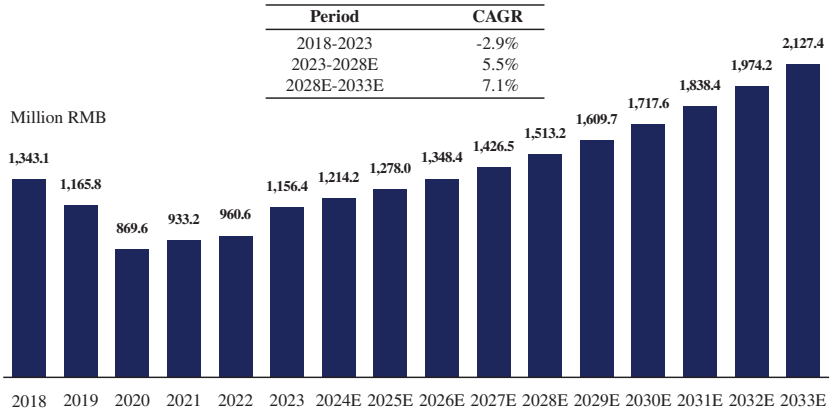
Ulinastatin Market

Ulinastatin, a serine protease inhibitor derived from human urine or serum, is a critical multifaceted therapeutic agent with broad anti-inflammatory and cytoprotective properties. Clinically, it is utilized to manage acute inflammatory conditions, including acute pancreatitis, sepsis, and post-operative systemic inflammatory responses, by inhibiting proteolytic enzymes such as trypsin, elastase, and kallikrein. Traditionally, ulinastatin has been biochemically extracted from human biological fluids; however, this method faces challenges such as limited yield, high production costs, and potential contamination risks. Recombinant ulinastatin, by employing recombinant mammalian cells, recombinant ulinastatin retains its functional integrity and physiological activity, effectively suppressing excessive protease activity and mitigating inflammatory cascades. This innovation represents a pivotal step toward safer and more efficient anti-inflammatory therapies, recombinant human ulinastatin is poised to replace the market for traditionally extracted ulinastatin, while potentially reaching even broader applications.

The market ulinastatin in China experienced fluctuations from 2018 to 2023 due to the disruptions in raw material supply chains during the COVID-19 pandemic, market size was RMB1,343.1 million in 2018 and RMB1,156.4 million in 2023, representing a CAGR of -2.9%. The market size is expected to increase to RMB1,513.2 million in 2028 at a CAGR of 5.5% from 2023 and further expand to RMB2,127.4 million in 2033 with a CAGR of 7.1%. Despite

its promising therapeutic potential and manufacturing advantages, recombinant ulinastatin remains under development, with no globally approved recombinant ulinastatin available, as of the Latest Practicable Date. The following table describes the ulinastatin market in China from 2018 to 2033.

Ulinastatin Market in China, 2018-2033E



Source: Literature review, Frost & Sullivan analysis

According to Frost & Sullivan, the global ulinastatin market is driven by increasing aging populations and rising incidence of immune-related conditions like acute and chronic pancreatitis. Its applications have expanded beyond pancreatitis to post-surgical inflammation, reperfusion injury, and ongoing clinical trials for multiple organ dysfunction syndrome, acute respiratory distress syndrome (ARDS), actually considered a less severe form of ARDS, and systemic inflammatory response syndrome. Additionally, advances in pharmaceutical technology toward recombinant human sources are expected to reduce production costs and enhance product accessibility.

SOURCE OF INFORMATION

We engaged Frost & Sullivan, a market research consultant, to prepare the Frost & Sullivan Report for use in this document. The information from Frost & Sullivan disclosed in this document is extracted from the Frost & Sullivan Report and is disclosed with the consent of Frost & Sullivan. In preparing the Frost & Sullivan Report, Frost & Sullivan collected and reviewed publicly available data such as government-derived information, annual reports, trade and medical journals, industry reports and other available information gathered by not-for-profit organizations as well as market data collected by conducting interviews with industry key opinion leaders.

Frost & Sullivan has exercised due care in collecting and reviewing the information so collected and independently analyzed the information, but the accuracy of the conclusions of its review largely relies on the accuracy of the information collected. We agreed to pay Frost & Sullivan a fee of RMB800,000 for the preparation and update of the Frost & Sullivan Report, which is not contingent on the [**REDACTED**] proceeding.

OVERVIEW OF LAWS AND REGULATIONS IN THE PRC

Information disclosed in this section is relevant PRC laws, regulations and regulatory documents in effect which have a significant impact on our operations in the PRC as of the date of this Document, which are subject to change in the future, but it does not include a detailed analysis of PRC Laws related to our business activities and operations in the PRC, or serve as all PRC Laws applicable to our operations in the PRC.

Laws and Regulations in Relation to New Drugs

Regulatory Authorities

The regulatory authorities of the drug industry in the PRC include: the NMPA, the CDE, the National Health Commission of the PRC (中華人民共和國國家衛生健康委員會) (the "**NHC**") and the National Healthcare Security Administration (國家醫療保障局) (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 of relevant regulations and policies; undertaking standard management, registration regulation, quality management and post-market risk management for drugs, medical devices and cosmetics; and organizing and guiding the supervision and inspection of drugs, medical devices and cosmetics; undertaking management of qualifications for licensed pharmacists.

The CDE is the technical evaluation unit for drug registration with NMPA. It is mainly responsible for conducting technical evaluation on the drugs applying for registration and verifying the relevant drug registrations.

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 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 catalogue 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.

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 former State Food and Drug Administration (國家食品藥品監督管理局) (the "**former SFDA**") in August 2003 and latest amended by the China Food and Drug Administration (國家食品藥品監督管理總局) (the "**CFDA**") in July 2017 and came into effect on September 1, 2017. The former 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 former State Science and Technology Commission (國家科學技術委員會) 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 former State Science and Technology Commission and the former State Bureau of Quality and Technical Supervision (國家質量技術監督局) 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 of the PRC (中華人民共和國科學技術部) (the "**MOST**") 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 clinical drug 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.

According to the Announcement of Several Policies on the Evaluation and Examination for Drug Registration (《關於藥品註冊審評審批若干政策的公告》) promulgated by the CFDA on November 11, 2015, an umbrella approval would be issued by CFDA for all phases of a new drug clinical trial, instead of obtaining approvals phase by phase. Provided by the Announcement of the Adjustment of Procedures of the Evaluation and Examination for Drug Clinical Trial (《關於調整藥物臨床試驗審評審批程序的公告》) issued by the NMPA on July 24, 2018, applicants could proceed with their clinical trials if they have not received any denial or query from the CDE within 60 business days after the application has been accepted and the relevant application fees have been paid.

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 Registration and Information Disclosure Platform.

The Drug Administration Law of the PRC (《中華人民共和國藥品管理法》) (the "**Drug Administration Law**") was promulgated by the Standing Committee of the National People's Congress (全國人民代表大會常務委員會) (the "**SCNPC**") in September 1984, last amended on August 26, 2019, and came into effect on December 1, 2019. Pursuant to the Drug Administration Law, the dossier on a new drug research and development, 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 of under 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 State Council for filing.

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.

Conducting Clinical Trial

In compliance with the Measures for the Administration of Drug Registration (2020) (《藥品註冊管理辦法(2020)》), promulgated by the SAMR on January 22, 2020 and came into effect on July 1, 2020, clinical trials are divided into Phase 1, Phase 2, Phase 3, Phase 4 and bioequivalence trial. A clinical drug trial to be carried out shall be examined and approved by the ethics committee.

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.

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

According to the Announcement of the Adjustment of Procedures of the Evaluation and Examination for Drug Clinical Trial, if a new drug clinical trial has been approved to be carried out, after the completion of Phase 1 and Phase 2 clinical trials and before the implementation of Phase 3 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 design of the phase 3 clinical trial design. The applicant can also apply for communication on key technical issues at different stages of clinical research and development.

According to the Measures for the Administration of Drug Registration (2020), 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 research and development 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 provisions of 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 drug trial, approval for drug marketing, and reregistration, 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.

According to the Measures for the Administration of Drug Registration (2020), an applicant may file an application for drug marketing authorization, after the completion of pharmaceutical, pharmacological and toxicological studies, clinical trials of drugs and other studies, determination of quality standards, the verification of commercial scale production process, and preparations to receive the check and inspection for drug registration. According to the Measures for the Administration of Drug Registration (2020), drug marketing registration applications shall be subject to three categories, namely traditional Chinese drugs, chemical drugs and biological products. The CDE shall organize pharmacist, medical and other technical personnel to comprehensively review the application regarding the safety, effectiveness and quality control of the drug. Where the application is cleared by the comprehensive review, the drug shall be approved for marketing and a drug registration certificate shall be issued.

According to the Drug Administration Law, an applicant who has obtained a drug registration certificate shall be recognized as a drug marketing authorization holder, responsible for non-clinical laboratory studies, clinical trials, production and distribution, post-market studies, and the monitoring, reporting, and handling of adverse reactions in connection with pharmaceuticals. The drug marketing authorization holder may engage in manufacturing or distribution on its own or to entrust a licensed third party.

Gathering, Collection and Filing of Human Genetic Resources

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 MOST 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、出境行政許可的通知》) promulgated by the MOST in August 2015, the gathering and collection of human genetic resources though clinical trials by a foreign-invested sponsor shall be approved by the China Human Genetic Resources Management Office. The General Office of the MOST 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, which has simplified the approval process for the gathering and collection of human genetic resources for the marketing of drugs in China.

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 and came into effect on July 1, 2019, and the last amendment became effective 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 in China, or provide Chinese genetic resources to foreign countries. In addition, the gathering, preservation, utilization and external provision of Chinese genetic resources shall conform to ethical principles and conduct ethical review in accordance with relevant regulations. On May 26, 2023, the MOST issued the Implementing Rules of the Administrative Regulations on Human Genetic Resources (《人類遺傳資源管理條例實施細則》), effective from July 1, 2023, which further provided specific provisions on the collection, preservation, utilization and external provision of human genetic resources of the PRC.

On October 17, 2020, the Biosecurity Law of the People's Republic of China (《中華人民共和國生物安全法》) (the "**Biosecurity Law**") was promulgated by the SCNPC, taking effect from April 15, 2021 and latest amended 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 microbials laboratories; security management of human genetic resources and biological resources; countermeasures for microbial resistance; and prevention of bioterrorism and defending threats of biological weapons.

Drug Manufacturing Permit

Pursuant to the Drug Administration Law, 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

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.

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 cancelled, 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.

On May 24, 2021, the NMPA promulgated the Administrative Measures for Drug Inspection (For Trial Implementation) (《藥品檢查管理辦法(試行)》) which was amended on July 19, 2023, and the Administrative Measures for the Certification of Good Manufacturing Practice for Drugs (《藥品生產質量管理規範認證管理辦法》) was repealed concurrently. The Administrative Measures for Drug Inspection (For Trial Implementation) provide that if a drug manufacturer applies for a drug manufacturing license for the first time, onsite inspections to be conducted in accordance with the GMP requirements is required, while for a drug manufacturer applying for the reissue of a drug manufacturing license, the review will be

conducted based on the risk management principles, taking into account certain factors, including the drug manufacturer's compliance with the laws and regulations of drug administration, the drug manufacturer's operation of the GMP system and quality management system, and inspections on the drug manufacturer's conformity to the GMP requirements may be conducted where necessary.

Marketing Authorization Holder System

Under the authorization of the SCNPC, the General Office of the State Council issued the Pilot Plan for the Drug Marketing Authorization Holder System (《藥品上市許可持有人制度試點方案》) on May 26, 2016, which provides a detailed pilot plan for the marketing authorization holder system, or MAH System, for drugs in 10 provinces (cities) in China and the plan ended on November 4, 2018. The pilot period was later extended to November 4, 2019 by the SCNPC.

Pursuant to the Drug Administration Law, China implements the marketing authorization holder mechanism for management of the drug industry. The drug marketing authorization holder refers to an enterprise or a drug research and development institution that has obtained the drug registration certificate. The drug marketing authorization holder shall be responsible for non-clinical research, clinical trials, production and operation, post-marketing research, adverse reaction monitoring, reporting and processing of drugs in accordance with the provisions of the law.

Transfer of Drug Marketing Authorization

Pursuant to the Drug Administration Law, upon approval by the drug administrative department of the State Council, a drug marketing authorization holder may transfer its drug marketing authorization. The transferee shall possess the quality management, risk control and liability compensation competence to ensure drug safety, effectiveness and quality controllability, and perform the obligations of the drug marketing permit holder.

According to the Measures for the Administration of Drug Registration (2020), transfer of drug marketing authorization by the holder shall declare by way of supplementary application, and implement upon approval.

Pursuant to the Administrative Measures for Drug Post-marketing Changes (for Trial Implementation) (《藥品上市後變更管理辦法(試行)》), drug post-marketing changes shall not have any adverse impact on the safety, effectiveness and quality controllability of drugs. In the case of an application for the change to a drug holder, the production site, prescription, production techniques and quality standards of the drugs shall be consistent with those of the original drugs. In the case of any change, after the change of the holder has been approved, the holder after the change shall conduct full study, evaluation and necessary verification and shall implement or report such changes upon approval or filing as required.

In the case of an application for the change of a holder of domestically manufactured drugs, the transferee shall, after obtaining the drug manufacturing permit for the corresponding production scope, submit a supplementary application to the CDE. In particular, in the case of an application for the change of a holder of narcotic drugs or psychotropic drugs, the transferee shall also meet the requirements for the quantity and layout of the designated manufacturers of narcotic drugs and psychotropic drugs as determined by the NMPA.

The CDE shall make a decision on whether to approve the change within the prescribed time limit. If the change is approved, the CDE shall issue a supplementary drug application notice with the drug approval number and the valid period of the certificate remains unchanged. The CDE shall also send a copy thereof to the provincial drug regulatory authority at the place where the transferor, the transferee and the manufacturer are located.

The holder after the change shall have a production quality management system that meets the requirements specified in the GMP, undertake the obligations for the management of the drug in the whole life cycle, complete the continuous research work of the drug, ensure that the existing technical requirements are met after the drug is manufactured and marketed, and emphasis the situation of the transferred drug in its initial annual report.

The transferred drug may be sold on the market after passing the inspection for compliance with the GMP and fulfilling the product release requirements.

The provincial drug regulatory authority at the place where the transferee is located shall focus on strengthening the supervision and inspection of the transferred drugs and timely incorporate such supervision and inspection into the daily supervision plan.

Contract Manufacturing of Drugs

Pursuant to the Administrative Regulations for the Contract Manufacturing of Drugs (《藥品委託生產監督管理規定》) issued by the CFDA in August 2014 and effective from October 1, 2014, only when a drug manufacturer temporarily lacks manufacturing conditions due to technology upgrade or is unable to ensure market supply due to insufficient manufacturing capabilities, can such drug manufacturer entrust the manufacturing of the drug to another domestic drug manufacturer. Such contract manufacturing arrangements shall be approved by the provincial branch of the NMPA.

The Administrative Measures on Supervision of Drug Manufacturing (《藥品生產監督管理辦法》) promulgated by the SAMR on January 22, 2020 and effective on July 1, 2020, further implements the drug marketing authorization holder system as stipulated in the Drug Administration Law. Drug marketing authorization holders entrusting others to manufacture drugs shall enter into outsourcing agreements and quality agreements with qualified drug manufacturing enterprises and submit the relevant agreements together with the actual manufacturing site application materials to the competent drug administrative authority in order to apply for the Drug Manufacturing Certificate.

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 Programme (《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 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 Catalogue

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 Catalogue. A pharmaceutical product listed in the Medical Insurance Catalogue 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 MOF 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 not have the discretion to formulate the catalogue 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 November 27, 2024.

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 of the PRC (中華人民共和國人力資源與社會保障部), the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部) (the "**MIIT**"), the MOF, 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 cancelled.

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 that 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 promulgated by the former SFDA and came effective on June 1, 2006, the insert sheets and labels of drugs should be reviewed and approved by the former 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 that without packing standards must not be sold or traded (except for drugs for the military).

Drug Technology Transfer

Drug technology transfer refers to the transfer of drug production technology by the owner to a drug manufacturer as the transferee and the application for drug registration by the drug manufacturer as the transferee pursuant to the laws and regulations in relation to drug technology transfer. The registration process of drug technology transfer, which includes application for, evaluation, review, approval and supervision of drug technology transfer registration, is regulated by the Measures for the Administration of Drug Registration (2020) and the Administrative Regulation for Technology Transfer Registration of Drugs (《藥品技術轉讓註冊管理規定》) which was promulgated by the former SFDA on August 19, 2009. According to the above regulations, drug technology transfer includes new drug technology transfer and drug production technology transfer. An application for drug technology transfer must be submitted to the provincial drug regulatory authority, and the former SFDA will ultimately make an approval decision based on the comprehensive opinions of the drug review center. Eligible applications will receive a letter of approval and a drug approval number for the supplementary application.

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 State Council and latest amended in December 2024, the pathogenic microorganism laboratories are classified into Level I, Level II, Level III and Level IV in accordance with its biosafety level for pathogenic microorganisms and the national standards for the bio-safety. Experimental activities with pathogenic microorganisms should be conducted in laboratories of the appropriate level. Laboratories engaged in experimental activities with pathogenic microorganisms shall be of a level not lower than the level of the laboratory required for such experimental activities as specified in the catalog of pathogenic microorganisms. Level I and II laboratories can only engage in pathogenic microorganisms catalog can be carried out in the Level I and II laboratory experimental activities of highly pathogenic pathogenic microorganisms. Level III and IV laboratories may engage in highly pathogenic pathogenic microorganism experimental activities under certain conditions.

Regulations on Company Establishment and Foreign Investment

The establishment, operation and management of corporate entities in China are governed by the PRC Company Law, which was promulgated by the SCNPC in December 1993 and further amended in December 1999, August 2004, October 2005, December 2013, October 2018 and December 2023, respectively. The PRC Company Law also applies to foreign-invested joint stock limited companies.

Investment activities in the PRC by foreign investors are governed by the Provisions on Guiding Foreign Investment Direction (《指導外商投資方向規定》), which was promulgated by the State Council in February 2002 and came into effect in April 2002, the Special Administrative Measures for the Access of Foreign Investment (Negative List) (2024 Version) (《外商投資准入特別管理措施(負面清單)(2024年版)》) (the "**Negative List**"), which was promulgated by the MOFCOM and the NDRC in September 2024 and came into effect on November 1, 2024, and the Catalogue of Encouraged Industries for Foreign Investment (2022 Version) (《鼓勵外商投資產業目錄(2022年版)》) (the "**Encouraged Catalogue**"), which was promulgated by the MOFCOM and the NDRC in October 2022 and came into effect in January 2023. The Provisions on Guiding Foreign Investment Direction divides foreign investment projects into four categories, namely "encouraged", "permitted", "restricted" and "prohibited" categories. The Encouraged Catalogue lists the foreign investment projects of the encouraged category, while the Negative List sets out the foreign investment projects of the restricted and prohibited categories, and foreign investment projects which fall outside the encouraged, restricted and prohibited categories belong to the permitted category. The Negative List sets out the restrictive measures in a unified manner, such as the requirements on shareholding percentages and corporate governance, for the access of foreign investments, and the industries that are prohibited from receiving foreign investment. The Negative List covers 11 industries, and any field not falling under the Negative List shall be administered under the principle of equal treatment to domestic and foreign investment.

The Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the "**Foreign Investment Law**") was promulgated by the National People's Congress of the PRC (the "**NPC**") in March 2019 and came into effect in January 1, 2020. The Law on Wholly Foreign-owned Enterprises of the PRC (《中華人民共和國外資企業法》), the Law on Sino-foreign Equity Joint Ventures of the PRC (《中華人民共和國中外合資經營企業法》) and the Law on Sino-foreign Cooperative Joint Ventures of the PRC (《中華人民共和國中外合作經營企業法》) were repealed upon the Foreign Investment Law coming into effect. The investment activities of foreign natural persons, enterprises or other organizations (collectively, the "**Foreign Investors**") directly or indirectly within the territory of China shall comply with and be governed by the Foreign Investment Law. Such activities include establishments by Foreign Investors of foreign invested enterprises in China alone or jointly with other investors; acquisitions by Foreign Investors of shares, equity, property shares, or other similar interests of Chinese domestic enterprises; investments by Foreign Investors in new projects in China alone or jointly with other investors; and other forms of investment prescribed by laws, administrative regulations or the State Council.

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 Measures on Reporting of Foreign Investment Information (《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. Since January 1, 2020, for foreign investors carrying out investment activities directly or indirectly in China, the foreign investors or foreign-invested enterprises shall submit investment information to the relevant commerce administrative authorities in accordance with the Measures on Reporting of Foreign Investment Information.

The Measures on the Security Review of Foreign Investment (《外商投資安全審查辦法》) promulgated by the NDRC and MOFCOM on December 19, 2020 and taking effect on January 18, 2021 set 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 Information Security and Data Privacy

Data Security and Export

The SCNPC promulgated the Data Security Law of the People's Republic of China (《中華人民共和國數據安全法》), 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 (中華人民共和國國家互聯網信息辦公室) (the "**CAC**") 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 CAC 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 less 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 less 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 the personal information (excluding sensitive personal information) of not less than 100,000 individuals but less than 1 million individuals or the sensitive personal information of less than 10,000 individuals since the January 1 of the current year.

Personal Information Protection

According to the Civil Code of the PRC (《中華人民共和國民法典》) (the "**Civil Code**"), which was promulgated by the NPC on May 28, 2020 and became effective from January 1, 2021, 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 (《中華人民共和國個人信息保護法》) promulgated by

the SCNPC 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 SCNPC 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.

Regulations on Self-Owned Real Properties

According to the Civil Code, the creation, alteration, alienation, or extinguishment of the property right of a real property shall become effective upon registration in accordance with law. The certificate of ownership of real property shall be an evidence of the right holder's entitlement in the real property.

According to the Land Administration Law of the PRC (《中華人民共和國土地管理法》) promulgated by the SCNPC on June 25, 1986, last amended on August 26, 2019 and taking effect from January 1, 2020, China implements socialist public ownership of land, that is, ownership by the whole people or collective ownership by the working masses. The State formulates an overall land utilization plan to stipulate land use, classifying land into agricultural land, construction land, or unused land. Entities or individuals using land must use the land strictly in accordance with the purposes of land use determined in the overall land utilization plan.

Regulations on Lease of Real Property

According to the Civil Code, a lease contract generally shall contain clauses specifying the name, quantity and purpose of use of the leased object, the term of the lease, rent, the schedule and method of its payment, the maintenance and repair of the leased object, etc. The lessee of a lease may, with the consent of the lessor, sublease the leased object to a third party.

According to the Administrative Measures for Leasing of Commodity Housing (《商品房屋租賃管理辦法》) promulgated by the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部) (the "**MOHURD**") on December 1, 2010 and

became effective on February 1, 2011, a commodity housing lease contract should be registered and filed with the competent construction (real estate) departments of the municipalities directly under the central government, cities and counties where the house is located within 30 days after the execution of the lease contract. Those who fail to comply with the aforementioned filing regulations may be ordered by the competent authority to correct within a time limit. If the entity does not correct within the specified period, it may be subject to a fine ranging from 1,000 yuan to 10,000 yuan.

Regulations on Construction

Construction Work Planning Permit

In accordance with the Urban and Rural Planning Law of the PRC (《中華人民共和國城鄉規劃法》) promulgated by the SCNPC on October 28, 2007 and last amended with effect from April 23, 2019, where construction work is conducted in a city or town planning area, the relevant construction entity shall apply for a construction work planning permit (建設工程規劃許可證) from the competent administrative authority in charge of urban and rural planning.

Construction Work Commencement Permit

According to the Construction Law of the PRC (《中華人民共和國建築法》) promulgated by the SCNPC on November 1, 1997 and last amended with effect from April 23, 2019, a construction entity shall, prior to the commencement of a construction work, apply for a construction permit (施工許可證) from the competent construction administrative authority, except that certain small-scale projects that meet the requirements and conditions set by the competent construction administrative authority are exempted from obtaining a construction permit.

According to the Administrative Measures for Construction Permits of Building Projects (《建築工程施工許可管理辦法》) promulgated by the MOHURD on October 15, 1999 and last amended with effect from March 30, 2021, any entity in China that carries out construction, fitting-out or decoration of a building and its ancillary facilities, installation of supporting lines, pipelines or equipment, as well as the construction of municipal infrastructure projects shall, prior to the commencement of the construction, apply for a construction permit. Construction works with a construction investment amount of less than RMB300,000 or a construction area of less than 300 square meters are not required for construction permits.

Acceptance on Completion of Construction

According to the Measures for the Administration of Completion Acceptance and Filing of Housing Construction and Municipal Infrastructure Projects (《房屋建築和市政基礎設施工程竣工驗收備案管理辦法》) promulgated by the MOHURD and taking effect from October

19, 2009, any entity in China that carries out construction works to build, expand or re-build real properties or municipal infrastructure projects shall, within 15 days after the acceptance of the relevant construction work, make a record-filing with the competent construction administration authority.

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》) (the "**Patent Law**"), 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 of the Patent Law**"), 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 of the Patent Law 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, 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 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. This rule needs to be further elaborated by the competent authority, and the benefits we could enjoy are subject to the relevant clarifications and explanations.

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.

Copyright

Copyright in the PRC is primarily protected by the Copyright Law of the PRC (《中華人民共和國著作權法》), which was promulgated by the SCNPC on September 7, 1990, last amended on November 11, 2020 and became effective on June 1, 2021, and the Implementation Regulations of the Copyright Law of PRC (《中華人民共和國著作權法實施條例》), which was promulgated by the State Council on August 2, 2002 last amended on January 30, 2013, and became effective on March 1, 2013. These law and regulation provide provisions on the classification of works and the obtaining and protection of copyright.

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 of 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.

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

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.

According to the Administrative Measures on Pollutant Discharge Permit (《排污許可管理辦法》) 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.

Regulations in Relation to Labor, Social Insurance and Housing Provident Funds

According to the Labor Law of the PRC (《中華人民共和國勞動法》), which was promulgated by the SCNPC in July 1994 and last amended and came into effect in December 2018, the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), which was promulgated by the SCNPC in June 2007 and amended in December 2012 and came into effect in July 2013, and the Implementing Regulations of the Labor Contracts Law of the PRC (《中華人民共和國勞動合同法實施條例》), which was promulgated by the State Council and came into effect in September 2008, labor contracts in written form shall be executed to establish labor relationships between employers and employees. In addition, wages shall not be lower than local minimum wages. The employers must establish a system for labor safety and sanitation, strictly comply with national rules and standards, provide education regarding labor safety and sanitation to its employees, provide employees with labor safety and sanitation conditions and necessary protection materials in compliance with national rules, and carry out regular health examinations for employees engaged in work involving occupational hazards.

According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), which was promulgated by the SCNPC in October 2010 and last amended and came into effect in December 2018, and the Interim Regulations on the Collection and Payment of Social Security Funds (《社會保險費徵繳暫行條例》), which was promulgated by the State Council in January 1999 and last amended in March 2019, and the Regulations on the Administration of Housing Provident Funds (《住房公積金管理條例》), which was promulgated by the State Council in April 1999 and last amended in March 2019, employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance and maternity insurance and to housing provident funds. Any employer who fails to make the required contributions may be fined and ordered to compensate the deficit within a stipulated time limit.

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

According to the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Enterprises (《境內企業境外發行證券和上市管理試行辦法》) 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 Trial Measures for Overseas Listing. 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 Company was established in the PRC on December 16, 2019. In 2020, we completed the acquisitions of Suzhou Kangju and Suzhou Centergene as part of the business reorganization of our Group, details of which are set out in "— Establishment and Major Shareholding Changes of our Company — (c) Business Reorganization of our Group and November 2020 Capital Increase" below. In July 2023, our Company was converted from a limited liability company into a joint stock limited liability company.

Under the leadership of Dr. Liu and Ms. Wang, the co-founders of our business, we have developed into a pioneer in China leveraging synthetic biology technology to develop and deliver recombinant biologic drugs that address significant clinical needs yet are difficult to produce. For more details of the experience and qualifications of Dr. Liu and Ms. Wang, see "Directors, Supervisors and Senior Management."

MILESTONES

The following is a summary of our key development milestones since our inception:

Year	Milestone(s)
December 2019 . . .	Our Company was established in the PRC with limited liability
August 2020	We obtained the land use rights of our industrialization base
September 2020 . .	We completed the acquisitions of Suzhou Kangju and Suzhou Centergene
February 2021 . . .	We conducted the Series A Financing of RMB319.0 million[(1)]
April 2021	We conducted the financing of Suzhou Centergene of RMB155.9 million
March 2022	We conducted the Series A1 Financing at consideration of the equity interest in Suzhou Centergene[(1)]
May 2022	We received FDA clinical approval and initiated Phase I clinical trial in New Zealand for KJ103
August 2022	We conducted the Series B Financing of RMB585.0 million[(1)]
December 2022 . . .	We obtained the Drug Manufacturing License Type A (藥品生產許可證A證) issued by Shanghai Administration of Pharmaceuticals and Medical Devices (上海市藥品監督管理局) for the manufacture of KJ017
	We completed the Phase III clinical trial of SJ02 in subjects undergoing ART in China

Year	Milestone(s)
March 2023	We completed the Phase I clinical trial for KJ103 in New Zealand and China
May 2023	We obtained the Drug Manufacturing License Type C (藥品生產許可證C證) issued by Shanghai Medical Products Administration (上海市藥品監督管理局) for the manufacture of SJ02
December 2023 . . .	We submitted the NDA to NMPA for SJ02 in China
January 2024	We obtained the Drug Manufacturing License Type B (藥品生產許可證B證) issued by Jiangsu Medical Products Administration (江蘇省藥品監督管理局) for the manufacture of SJ02
May 2024	We obtained the clinical trial approval for SJ04 in China
June 2024	We submitted the NDA to NMPA for KJ017 in China
July 2024	We conducted the Series C Financing of RMB425.7 million(1)
August 2024	We obtained the Phase II clinical trial approval for KJ103 for patients with anti-GBM disease in China
September 2024 . .	We completed the Phase II clinical trial of KJ103 for highly HLA-sensitized patients awaiting kidney transplantation
	We granted Group A, a global leader in fertility treatments, an exclusive license to develop, manufacture and commercialize SJ02 for the fertility treatment to stimulate the development of eggs in the ovaries in humans in China
November 2024 . . .	We received the BTD from the NMPA for KJ103 as a potential desensitization therapy in kidney transplantation
	We submitted an IND application for KJ101 to the NMPA
December 2024 . . .	We obtained the clinical trial approval for KJ015 in China
	We conducted the Series C+ Financing of RMB45.0 million(1)
	We submitted an IND application for BJ007 to the NMPA

Note:

(1) For the purpose of clarification, the dates mentioned herein refer to the date of the agreement.

OUR SUBSIDIARIES

As of the Latest Practicable Date, we had three wholly-owned subsidiaries, and their details are set forth below:

Subsidiary	Date and place of establishment	Registered capital	Equity interest attributable to our Group	Principal business activities
Suzhou Kangju[(1)]	August 15, 2011; PRC	RMB10,000,000	100.0%	Biopharmaceutical R&D
Suzhou Centergene[(1)]	July 24, 2014; PRC	RMB64,575,476	100.0%	Biopharmaceutical R&D
Hainan Baoji[(2)].	February 8, 2022; PRC	RMB1,000,000	100.0%	Biopharmaceutical R&D

Notes:

(1) On September 24, 2020, we completed the acquisitions of Suzhou Kangju and Suzhou Centergene, both of which had become our subsidiaries since the completion of the acquisitions. For details of the acquisitions of Suzhou Kangju and Suzhou Centergene, see "— Establishment and Major Shareholding Changes of Our Company — (c) Business Reorganization of our Group and November 2020 Capital Increase" in this section.

(2) As of the Latest Practicable Date, Hainan Baoji had been wholly-owned by our Company since its establishment. During the Track Record Period, Hainan Baoji did not have substantial business operations.

ESTABLISHMENT AND MAJOR SHAREHOLDING CHANGES OF OUR COMPANY

(a) Establishment of our Company in 2019

Our Company was established as a limited liability company in the PRC on December 16, 2019, with an initial registered capital of RMB1,000,000, of which RMB950,000 have been fully paid up by Dr. Liu using his personal funds. At the time of the establishment, our Company was owned as to 95.0% by Dr. Liu and 5.0% by Mr. Lou Junwen (樓俊文) ("**Mr. Lou**"), our Supervisor, respectively.

Since its establishment, our Company has undertaken a series of capital increases to raise funds for the development of our business and to bring in new Shareholders. The major shareholding changes of our Company are set out below.

(b) Equity Transfer to Shanghai Luoxu and Initial Capital Increase

Pursuant to an equity transfer agreement and a supplemental agreement to the equity transfer agreement dated September 2, 2020, entered into by Mr. Lou and Shanghai Luoxu, Mr. Lou shall transfer 5.0% shareholding interest in the Company to Shanghai Luoxu at nil consideration since the relevant registered capital was not paid up at the time of the transfer. The equity transfer was completed on September 11, 2020.

On the same date, the then Shareholders resolved to increase the registered capital of our Company from RMB1,000,000 to RMB16,950,000, pursuant to which (i) Dr. Liu subscribed for the increased registered capital of RMB12,250,000 by transferring a certain intellectual property right to our Company, which was determined with reference to a valuation report of such intellectual property rights issued by an independent valuer; and (ii) Shanghai Luoxu subscribed for the increased registered capital of RMB3,700,000 at a consideration equaling to the amount of registered capital subscribed. The capital increase was completed on December 28, 2020.

Upon completion of the aforementioned equity transfer and capital increase, the shareholding structure of our Company was as follows:

Shareholders	Registered capital subscribed for	Equity interest
	(RMB)	*(%)*
Dr. Liu	13,200,000	77.88
Shanghai Luoxu	3,750,000	22.12
Total	**16,950,000**	**100.00**

(c) Business Reorganization of our Group and November 2020 Capital Increase

In 2020, Center Lab and PCJ Bao Holdings Limited ("**PCJ Bao**") recognized Dr. Liu's extensive experience in the pharmaceutical industry and commercialization capabilities, expressing their intent to invest in the Company. Impressed by his strong technical expertise and effective management, both Center Lab and PCJ Bao, having previously invested in Suzhou Centergene, a non-wholly owned subsidiary of Suzhou Kangju, proposed a strategic restructuring of the Company, Suzhou Kangju, and Suzhou Centergene (the "**Business Restructuring**"). They recommended Dr. Liu for the position of chairman of the Board of the Company, convinced that his leadership would enhance business integration of the Company, Suzhou Kangju, and Suzhou Centergene, drive growth, and stimulate innovation of business.

Pursuant to a framework restructuring agreement regarding the Business Restructuring dated June 2020 (the "**Framework Restructuring Agreement**") entered into by, among the others, Company, Dr. Liu, Ms. Wang, Mr. Tan, Center Lab, and PCJ Bao, the Company shall acquire the entire equity interests of Suzhou Kangju and the minority equity interests of Suzhou Centergene through an equity swap arrangement (the "**Equity Swap**"). In the Equity Swap, Ms. Wang and Mr. Tan shall transfer their equity interests in Suzhou Kangju to the Company in exchange for increased registered capital of the Company, and Center Lab and PCJ Bao shall transfer their equity interests in Suzhou Centergene to the Company in exchange for increased registered capital of the Company.

Immediately prior to the Equity Swap, Suzhou Kangju was owned as to 60% by Ms. Wang and as to 40% by Mr. Tan, and Suzhou Centergene was owed as to 50.09% by Suzhou Kangju, 39.93% by Center Lab and as to 9.98% by PCJ Bao. The Business Restructuring sought to synergize the diverse assets, talent, and product pipelines of the Company, Suzhou Kangju and Suzhou Centergene, thereby facilitating a unified approach to advancing the development and commercialization of our innovative biopharmaceutical products. Immediately after the Equity Swap, each of Suzhou Kangju and Suzhou Centergene became a wholly owned subsidiary of the Company.

To facilitate the Equity Swap under Framework Restructuring Agreement, the then Shareholders resolved to increase the registered capital of our Company from RMB16,950,000 to RMB30,000,000, pursuant to which (i) Center Lab subscribed for the increased registered capital of RMB4,440,000 at a consideration of equity interest in Suzhou Centergene with the value of RMB30,640,000; (ii) PCJ Bao subscribed for the increased registered capital of RMB1,110,000 at a consideration of equity interest in Suzhou Centergene with the value of RMB7,650,000; (iii) Ms. Wang subscribed for the increased registered capital of RMB4,500,000 at a consideration of equity interest in Suzhou Kangju with the value of RMB31,100,000; and (iv) Mr. Tan subscribed for the increased registered capital of RMB3,000,000 at a consideration of equity interest in Suzhou Kangju with the value of RMB20,730,000. The terms of the Equity Swap were determined based on arm's length negotiation among relevant parties, with reference to a valuation report on the equity interest of Suzhou Kangju and Suzhou Centergene prepared by an independent valuer at the time of the Equity Swap. On September 24, 2020, both of Suzhou Kangju and Suzhou Centergene became our subsidiaries, and the aforementioned capital increase was completed on November 13, 2020.

Upon completion of the Equity Swap and aforementioned capital increase, the shareholding structure of our Company was as follows:

Shareholders	Registered capital subscribed for	Equity interest
	(RMB)	*(%)*
Dr. Liu	13,200,000	44.00
Ms. Wang	4,500,000	15.00
Center Lab	4,440,000	14.80
Shanghai Luoxu	3,750,000	12.50
Mr. Tan	3,000,000	10.00
PCJ Bao	1,110,000	3.70
Total	**30,000,000**	**100.00**

(d) Equity Transfers in 2021 and Series A Financing

(1) Equity Transfers in 2021

Pursuant to an equity transfer agreement dated January 8, 2021, entered into by Dr. Liu and ROSY ELEGANT COMPANY LIMITED ("**ROSY ELEGANT**"), Dr. Liu agreed to transfer RMB250,000 of equity interest in the Company to ROSY ELEGANT, at a consideration in Hong Kong dollars equivalent to RMB10 million, which was determined based on arm's length negotiation with reference to our business prospects and the research and development of our drug candidates at the time of the transfer. The equity transfer was completed on April 29, 2021.

Pursuant to an equity transfer agreement dated January 19, 2021, entered into by Dr. Liu and Shanghai Cixi Venture Capital Center (Limited Partnership) (上海慈熙創業投資中心(有限合夥)) ("**Shanghai Cixi**"), Dr. Liu agreed to transfer RMB500,000 of equity interest in the Company to Shanghai Cixi, at a consideration of RMB20 million, which was determined based on arm's length negotiation with reference to our business prospects and the research and development of our drug candidates at the time of the transfer. The equity transfer was completed on June 10, 2021.

(2) Series A Financing

Pursuant to a capital increase agreement entered into by and amongst our Company, Suzhou Kangju, Suzhou Centergene, Dr. Liu, Shanghai Luoxu, Ms. Wang, Mr. Tan, Center Lab, Venus Capital HK Limited ("**Venus Capital**"), Shanghai Luohui Management Consulting Partnership Enterprise (Limited Partnership) (上海羅輝管理諮詢合夥企業(有限合夥)) ("**Shanghai Luohui**"), and Xiamen Youlang Equity Investment Partnership Enterprise (Limited Partnership) (廈門悠朗股權投資合夥企業(有限合夥)) ("**Xiamen Youlang**") on February 8, 2021 (the "**Series A Investment Agreement**"), the registered capital of our Company was increased by RMB7,088,888. According to the Series A Investment Agreement, (i) Venus Capital subscribed for the increased registered capital of RMB3,222,222 at a consideration in U.S. dollars equivalent to RMB145 million; (ii) Center Lab subscribed for the increased registered capital of RMB2,222,222 at a consideration in U.S. dollars equivalent to RMB100 million; (iii) Shanghai Luohui subscribed for the increased registered capital of RMB1,200,000 at a consideration of RMB54 million; and (iv) Xiamen Youlang subscribed for the increased registered capital of RMB444,444 at a consideration of RMB20 million (the "**Series A Financing**").

The Series A Financing were completed on March 31, 2021. For details of the Series A Financing, see "— [**REDACTED**] Investments" below.

Upon completion of the aforementioned equity transfers and the Series A Financing, the shareholding structure of our Company was as follows:

Shareholders	**Registered capital subscribed for**	**Equity interest**
	(RMB)	*(%)*
Dr. Liu	12,450,000	33.57
Center Lab	6,662,222	17.96
Ms. Wang	4,500,000	12.13
Shanghai Luoxu	3,750,000	10.11
Venus Capital	3,222,222	8.69
Mr. Tan	3,000,000	8.09
Shanghai Luohui	1,200,000	3.24
PCJ Bao	1,110,000	2.99
Shanghai Cixi	500,000	1.35
Xiamen Youlang	444,444	1.20
ROSY ELEGANT	250,000	0.67
Total	**37,088,888**	**100.00**

(e) Capital Increase in Suzhou Centergene and Series A1 Financing

On February 3, 2021, Ningbo Hongsheng, one of our Share Incentive Platforms, subscribed for the increased capital of RMB4,360,000 of Suzhou Centergene at a total consideration of RMB7,030,275 which was based on Suzhou Centergene's net assets as of September 30, 2020. As a result, the registered capital of Suzhou Centergene was increased to RMB47,960,000.

On April 8, 2021, Suzhou Centergene, the Company, Suzhou Kangju, Ningbo Hongsheng, Qingdao Yuanchuang Energy Conservation and Environmental Protection Venture Capital Fund Partnership Enterprise (Limited Partnership) (青島源創節能環保創業投資基金合夥企業(有限合夥)) ("**Qingdao Yuanchuang**"), Yantai Duoying New Kinetic Energy Investment Center (L.P.) (煙台多盈新動能投資中心(有限合夥)) ("**Yantai Duoying**"), Shanghai Luoqun Management Consulting Partnership Enterprise (Limited Partnership) (上海羅群管理諮詢合夥企業(有限合夥)) ("**Shanghai Luoqun**"), Shanghai Guqing Enterprise Management Center (上海穀晴企業管理中心) ("**Shanghai Guqing**"), Shanghai Luoyuan Management Consulting Partnership Enterprise (Limited Partnership) (上海羅園管理諮詢合夥企業(有限合夥)) ("**Shanghai Luoyuan**"), Xiamen Youlang, Nie Miao (聶淼) and Zheng Keqing (鄭可青) entered into a capital increase agreement ("**Centergene Capital Increase Agreement**"). Pursuant to the Centergene Capital Increase Agreement, the relevant investors agreed to subscribe for the increased registered capital of RMB16,615,476 of Suzhou Centergene at a total consideration of RMB155,900,000, determined based on arm's length negotiation among relevant parties with reference to the status of business operations of Suzhou Centergene and prevailing market condition.

On March 30, 2022, the then Shareholders resolved to increase the registered capital of our Company from RMB37,088,888 to RMB41,462,379, pursuant to which the relevant shareholders of Suzhou Centergene subscribed for the increased registered capital of our Company at considerations of their respective equity interests in Suzhou Centergene (the "**Series A1 Financing**"). The considerations were determined based on arm's length negotiation among relevant parties, with reference to the valuation reports on Suzhou Centergene and the Company prepared by an independent valuer at the time of the capital increase. The aforementioned capital increase was completed on June 14, 2022. Upon completion of the Series A1 Financing, Suzhou Centergene became our wholly-owned subsidiary.

Upon completion of the aforementioned equity transfers and the Series A1 Financing, the shareholding structure of our Company was as follows:

Shareholders	Registered capital subscribed for	Equity interest
	(RMB)	*(%)*
Dr. Liu	12,450,000	30.03
Center Lab	6,662,222	16.07
Ms. Wang	4,500,000	10.85
Shanghai Luoxu	3,750,000	9.04
Venus Capital	3,222,222	7.77
Mr. Tan	3,000,000	7.24
Shanghai Luohui	1,200,000	2.89
PCJ Bao	1,110,000	2.68
Ningbo Hongsheng	909,081	2.19
Shanghai Luoqun	686,660	1.66
Shanghai Guqing	666,660	1.61
Xiamen Youlang	666,664	1.61
Shanghai Cixi	500,000	1.21
Shanghai Luoyuan	444,440	1.07
Zheng Keqing (鄭可青)	444,440	1.07
Qingdao Yuanchuang	333,330	0.80
Yantai Duoying	333,330	0.80
Nie Miao (聶淼)	333,330	0.80
ROSY ELEGANT	250,000	0.60
Total	**41,462,379**	**100.00**

(f) Series B Financing

On August 25, 2022, the then Shareholders resolved to increase the registered capital of our Company from RMB41,462,379 to RMB49,973,075. Pursuant to a capital increase agreement entered into by and amongst our Company, Suzhou Kangju, Hainan Baoji, Suzhou Centergene, Dr. Liu, Shanghai Luoxu, Ms. Wang, Mr. Tan, Center Lab and relevant [**REDACTED**] Investors on the same date, relevant [**REDACTED**] Investors below agreed to subscribe for the increased registered capital of RMB8,510,696 of our Company at a total consideration of RMB585,000,000 (the "**Series B Financing**").

The respective subscription amount and consideration paid by the relevant [**REDACTED**] Investors in the Series B Financing were as follows:

[REDACTED] Investors	Registered capital subscribed for	Consideration
	(RMB)	*(RMB)*
Jiaxing Xiqi Venture Capital Partnership (Limited Partnership) (嘉興熙柒創業投資合夥企業(有限合夥)) ("**Jiaxing Xiqi**")	1,163,856	80,000,000
Shenzhen Fuhai Junyong No. 6 Venture Capital Enterprise (Limited Partnership) (深圳富海雋永六號創業投資企業(有限合夥)) ("**Fuhai Junyong No. 6**")	916,537	63,000,000
Haitong Innovation Securities Investment Co., Ltd. (海通創新證券投資有限公司) ("**Haitong Innovation Securities**")	872,892	60,000,000
Jinan Chanfa Saixingyuanchuang Venture Capital Partnership (Limited Partnership) (濟南產發賽星源創創業投資合夥企業(有限合夥)) ("**Jinan Chanfa**")	741,958	51,000,000
Center Lab	727,410	50,000,000
Shanghai Meidiya Hospital Investment Group Co., Ltd. (上海美迪亞醫院投資集團有限公司) ("**Meidiya Hospital**")	436,446	30,000,000
Yangtze River Delta Industrial Innovation Phase II (Shanghai) Private Investment Fund Partnership (Limited Partnership) (長三角產業創新二期(上海)私募投資基金合夥企業(有限合夥)) ("**Yangtze River Delta Industrial**")	436,446	30,000,000
Ningbo Longhuahui Boyuan Venture Capital Partnership (Limited Partnership) (寧波隆華匯博源創業投資合夥企業(有限合夥)) ("**Ningbo Longhuahui**")	436,446	30,000,000
Zheng Xiaodong (鄭效東)	436,446	30,000,000
Shenzhen Fuhai Junyong No. 2 Venture Capital Enterprise (Limited Partnership) (深圳富海雋永二號創業投資企業(有限合夥)) ("**Fuhai Junyong No. 2**")	392,801	27,000,000
Shenzhen Jiaxing No. 2 Investment Partnership Enterprise (Limited Partnership) (深圳市嘉星二號投資合夥企業(有限合夥)) ("**Jiaxing No. 2**")	392,801	27,000,000

[REDACTED] Investors	Registered capital subscribed for	Consideration
	(RMB)	*(RMB)*
Fuhai Jingxuan No. 2 Venture Capital (Hangzhou) Partnership (Limited Partnership) (富海精選二號創業投資(杭州)合夥企業(有限合夥)) ("**Fuhai Jingxuan No. 2**")	290,964	20,000,000
Shenzhen Fuhai Youxuan No. 2 High Tech Venture Capital Partnership (Limited Partnership) (深圳市富海優選二號高科技創業投資合夥企業(有限合夥)) ("**Fuhai Youxuan No. 2**")	290,964	20,000,000
North Shanghai Biomedical Industry Park Development (Shanghai) Co., Ltd. (北上海生物醫藥產業園開發(上海)有限公司) ("**North Shanghai Biomedical**")	290,964	20,000,000
Shanghai Jifu Supply Chain Management Partnership Enterprise (Limited Partnership) (上海濟福供應鏈管理合夥企業(有限合夥)) ("**Shanghai Jifu**")	145,482	10,000,000
Wang Jufang (王菊芳)	145,482	10,000,000
Cui Hongyan (崔洪艷)	101,837	7,000,000
Liu Jintao (劉金濤)	101,837	7,000,000
Huang Haitao (黃海濤)	72,741	5,000,000
Xu Sumin (許素敏)	58,193	4,000,000
Chen Jichun (陳紀春)	43,645	3,000,000
Li Jueping (李珏萍)	14,548	1,000,000
Total	**8,510,696**	**585,000,000**

The aforementioned Series B Financing was completed on April 20, 2023. For details of the Series B Financing, see "— [**REDACTED**] Investments" below.

(g) Equity Transfers in 2023

In 2023, the following transfers of equity interest of our Company were effected. The consideration for such transfers were determined based on arm's length negotiation with reference to the post-money valuation of the Company after the Series B Financing. All of the following Share transfers have been completed by January 5, 2023.

Transferor	Transferee	Registered capital transferred	Consideration
		(RMB)	*(RMB)*
Meidiya Hospital . . .	Nanjing United Future Jianfeng Medical Industry Investment Partnership (Limited Partnership) (南京聯合未來健峰醫療產業投資合夥企業(有限合夥)) ("**Nanjing United Future**")	436,446	30,000,000
Dr. Liu	Shanghai Jifu	116,386	8,000,000
Dr. Liu	Tianjin Bo'ao Enterprise Management Partnership (Limited Partnership) (天津博奧企業管理合夥企業(有限合夥)) ("**Tianjin Bo'ao**")	72,740	5,000,000
Dr. Liu	Luo Chun (駱純)	43,645	3,000,000

(h) Conversion into a Joint Stock Company

On July 26, 2023, the Company was converted into a joint stock company with its corporate name changed to Shanghai Bao Pharmaceuticals Co., Ltd. (上海寶濟藥業股份有限公司). Upon the completion of the conversion, the registered capital of the Company became RMB49,973,075 divided into 49,973,075 Shares with a nominal value of RMB1.00 each.

(i) August 2023 Capital Increase by Shanghai Luojun

On August 17, 2023, our Company's registered capital was increased from RMB49,973,075 to RMB52,046,194, which was subscribed by Shanghai Luojun, one of our Share Incentive Platforms, at a consideration of RMB19,404,394 determined with reference to the Company's net assets as of June 30, 2022. Such capital increase was due to meeting specific milestones outlined in the Series B Financing shareholder agreement to incentivize our employees. The aforementioned capital increase was completed on December 31, 2024.

(j) Series C Financing

On July 18, 2024, the then Shareholders resolved to increase the registered capital of our Company from RMB52,046,194 to RMB57,081,663. Pursuant to a capital increase agreement entered into by and amongst our Company, Shanghai Biomedical Industry Equity Investment Fund Partnership (Limited Partnership) (上海生物醫藥產業股權投資基金合夥企業(有限合夥)) ("**SHC**"), Zhang Yahong (張亞紅), Fan Hong (樊紅), Center Lab, Shanghai Technology Venture Capital (Group) Co., Ltd. (上海科技創業投資(集團)有限公司) ("**Shanghai STVC Group**"), Shanghai Baoshan State-owned Capital Investment Management (Group) Co., Ltd. (上海寶山國有資本投資管理(集團)有限公司) ("**Baoshan Capital**"), Shanghai Jifu, Song Aihui

(宋愛暉), Zhao Liping (趙莉萍), Dr. Liu, Shanghai Luoxu, Ms. Wang, and Mr. Tan on the same date, relevant [**REDACTED**] Investors below agreed to subscribe for the increased registered capital of RMB5,035,469 of our Company at a total consideration of RMB425,700,000 (the "**Series C Financing**").

The respective subscription amount and consideration paid by the relevant [**REDACTED**] Investors in the Series C Financing were as follows:

[REDACTED] Investors	Registered capital subscribed for	Consideration
	(RMB)	*(RMB)*
SHC	2,365,736	200,000,000
Zhang Yahong (張亞紅)	709,721	60,000,000
Center Lab	591,434	50,000,000
Fan Hong (樊紅)	591,434	50,000,000
Shanghai STVC Group	374,969	31,700,000
Baoshan Capital	236,574	20,000,000
Shanghai Jifu	94,629	8,000,000
Song Aihui (宋愛暉)	35,486	3,000,000
Zhao Liping (趙莉萍)	35,486	3,000,000
Total	**5,035,469**	**425,700,000**

The aforementioned Series C Financing was completed on October 23, 2024. For details of the Series C Financing, see "— [**REDACTED**] Investments" below.

(k) Series C+ Financing

On December 18, 2024, the then Shareholders resolved to increase the registered capital of our Company from RMB57,081,663 to RMB57,613,953. Pursuant to a capital increase agreement entered into by and amongst our Company, Shandong Caixin Chantou No. 2 Yuanchuang Investment Partnership Enterprise (Limited Partnership) (山東省財欣產投二號源創投資合夥企業(有限合夥)) ("**Shandong Caixin**"), Yuanxiong Real Estate Development (China) Co., Ltd. (遠雄房地產開發集團(中國)有限公司) ("**Yuanxiong Real Estate**"), Chen Zhan (陳展), Dr. Liu, Shanghai Luoxu, Ms. Wang, and Mr. Tan on the same date, relevant [**REDACTED**] Investors below agreed to subscribe for the increased registered capital of RMB532,290 of our Company at a total consideration of RMB45,000,000 (the "**Series C+ Financing**").

The respective subscription amount and consideration paid by the relevant [**REDACTED**] Investors in the Series C+ Financing were as follows:

[**REDACTED**] Investors	Registered capital subscribed for	Consideration
	(RMB)	*(RMB)*
Shandong Caixin	354,860	30,000,000
Yuanxiong Real Estate	118,287	10,000,000
Chen Zhan (陳展)	59,143	5,000,000
Total	**532,290**	**45,000,000**

The aforementioned Series C+ Financing was completed on January 3, 2025. For details of the Series C+ Financing, see "— [**REDACTED**] Investments" below.

PRC Legal Advisor's Confirmation

Our PRC Legal Advisors have confirmed that the aforesaid changes regarding the Business Restructuring and Equity Swap of our shareholding have been conducted in accordance with the applicable PRC laws and regulations.

SHARE SUBDIVISION

We expect to conduct the Share Subdivision immediately prior to the [**REDACTED**], pursuant to which each of our Share with par value of RMB1.00 will be subdivided into five Shares with par value of RMB0.20 each. Upon completion of such Share Subdivision, the registered capital of our Company, which is RMB57,613,953, will be divided into 288,069,765 Shares with par value of RMB0.20 per Share, which will be [**REDACTED**] by all our then Shareholders in proportion to their respective equity interests in our Company immediately before the [**REDACTED**], and the number of our issued Shares will be 288,069,765, without taking into consideration the new Shares to be issued for the [**REDACTED**].

MAJOR ACQUISITION, MERGER AND DISPOSAL

Throughout the Track Record Period and as of the Latest Practicable Date, we did not conduct any major acquisitions, mergers or disposals.

REASONS FOR THE [**REDACTED**]

Our Company is seeking a [**REDACTED**] of its H Shares on the Stock Exchange in order to [**REDACTED**] further capital for the development of our business, to fund the ongoing and planned clinical development of our product candidates and expand our global presence. For details of our future plans, see "Future Plans and Use of [**REDACTED**]" in this document.

[REDACTED] INVESTMENTS

Our Company obtained several rounds of investments from the [**REDACTED**] Investors. For details, see "— Establishment and Major Shareholding Changes of Our Company" above and the table below.

Principal Terms of the [REDACTED] Investments

The following table summarizes the key terms of the [**REDACTED**] Investments to our Company made by the [**REDACTED**] Investors:

	November 2020 Capital Increase	Series A Financing	Series A1 Financing	Series B Financing	Series C Financing	Series C+ Financing
Date of agreement	September 25, 2020	February 8, 2021	March 30, 2022	August 25, 2022	July 18, 2024	December 18, 2024
Amount of registered capital subscribed for *(RMB)*	13,050,000	7,088,888	4,373,491	8,510,696	5,035,469	532,290
Number of Shares subscribed/acquired as adjusted by the Share Subdivision	65,250,000	35,444,440	21,867,455	42,553,480	25,177,345	2,661,450
Amount of consideration paid *(RMB)*	90,120,000[(1)]	319,000,000	400,330,718[(2)]	585,000,000	425,700,000	45,000,000
Date of payment of consideration in full	September 24, 2020[(1)]	March 31, 2021	June 7, 2022[(2)]	April 20, 2023	October 23, 2024	January 3, 2025
Approximate cost per Share[(3)] *(RMB)*	1.38	9.00	18.31	13.75	16.91	16.91
Approximate [**REDACTED**] to the [**REDACTED**][(4)]	[REDACTED]%	[REDACTED]%	[REDACTED]%	[REDACTED]%	[REDACTED]%	[REDACTED]%
Post-money valuation of our Company *(RMB)*[(5)]	209,030,000	1,669,000,000	3,795,289,400	3,577,500,000	4,825,700,000	4,870,700,000
Basis of determination of valuation and consideration	The valuation and consideration for each round of [**REDACTED**] Investments were determined based on arm's length negotiation between the respective [**REDACTED**] Investors and our Company after taking into account of the timing of the investments and the status of our business operations and prospect.					

	November 2020 Capital Increase	Series A Financing	Series A1 Financing	Series B Financing	Series C Financing	Series C+ Financing
Lock-up period	Under the applicable PRC laws, all existing Shareholders (including the [**REDACTED**] Investors) are subject to a lock-up period of 12 months following the [**REDACTED**].					
Use of proceeds from the [**REDACTED**] Investments	The proceeds have been used to support the research and development activities of our Group, including the research and development activities conducted for our pipeline products, as well as to support the establishment of our manufacturing facilities and the working capital needs of our Group. As of the Latest Practicable Date, approximately 60% of the net proceeds from the [**REDACTED**] Investors were utilized. We intend to continue utilizing the remaining net proceeds from the [**REDACTED**] Investments both before and after the [**REDACTED**].					
Strategic benefits to our Company brought by the [**REDACTED**] Investors	At the time of the [**REDACTED**] Investments, the Directors were of the view that (i) the Company would benefit from the additional capital provided by the [**REDACTED**] Investors and their market influence, knowledge and experience and (ii) the [**REDACTED**] Investments demonstrated the [**REDACTED**] Investors' confidence in the operation and development of our Group.					

Notes:

(1) The total consideration for the November 2020 Capital Increase equals to the appraised value of the equity interest of Suzhou Kangju and Suzhou Centergene subject to the Equity Swap as set out in the valuation report prepared by an independent valuer at the time of the capital increase. See "— Establishment and Major Shareholding Changes of Our Company — (c) Business Reorganization of our Group and November 2020 Capital Increase" above for further details. The consideration was considered settled on the date on which the registration for the transfer of equity interest of Suzhou Kangju and Suzhou Centergene was completed.

(2) The total consideration for Series A1 Financing equals to the appraised value of the equity interest of Suzhou Centergene transferred by the relevant Shareholders to the Company as consideration for their respective interests in the Company, which was set out in the valuation report prepared by an independent valuer at the time of the Series A1 Financing. See "— Establishment and Major Shareholding Changes of Our Company — (e) Capital Increase in Suzhou Centergene and Series A1 Financing" above for further details. The consideration was considered settled on the date on which the registration for the transfer of equity interest of Suzhou Centergene was completed.

(3) The cost per Share is calculated based on dividing the consideration by the number of Shares subscribed or acquired as adjusted by the Share Subdivision to be undertaken immediately prior to the [**REDACTED**], to facilitate the illustration of premium or discount to the [**REDACTED**].

(4) The [**REDACTED**] to the [**REDACTED**] is calculated based on the assumption that the [**REDACTED**] is HK$[**REDACTED**] per [**REDACTED**] (being the mid-point of the [**REDACTED**] of HK$[**REDACTED**] to HK$[**REDACTED**] per [**REDACTED**]), assuming that the [**REDACTED**] is not exercised.

(5) The primary reasons for the material increase in the valuation of our Company are set forth below:

(i) the increase in the valuation of our Company from November 2020 Capital Increase to Series A Financing was primarily due to (a) the establishment of our manufacturing facilities through the successful approval of the recombinant protein drug industrialization project, which significantly enhances our production capacity; and (b) the advancement of clinical trials following the Business Restructuring, which allows for effective integration of resources and strengths, facilitating comprehensive oversight and targeted planning;

(ii) the increase in the valuation of our Company from Series A Financing to Series A1 Financing was primarily due to (a) completion of SJ02 Phase II clinical trial in April 2021, (b) initiation of the Phase III clinical trial of SJ02 in China in October 2021, and (c) acquisition of our manufacturing facilities at No. 28 Luoxin Road;

(iii) the decrease in the valuation of our Company from Series A1 Financing to Series B Financing was primarily due to the declining market conditions as a result of the three-month lockdown in Shanghai from April 2022 to June 2022 during the COVID-19 pandemic;

(iv) the increase in the valuation of our Company from Series B Financing to Series C was primarily due to (a) completion of SJ02 Phase III clinical trial in December 2022, receipt of the Drug Manufacturing License Type C (藥品生產許可證C證) in May 2023 and the Drug Manufacturing License Type B (藥品生產許可證B證) in January 2024, and submission of a NDA with the NMPA in December 2023, (b) receiving the Drug Manufacturing License Type A (藥品生產許可證A證) of KJ017 in December 2022 and filing of a NDA with the NMPA in June 2024, as well as its adoption as an excipient in collaborations with several companies, (c) receiving SJ04 clinical trial approval in May 2024, and (d) completion of KJ103 Phase I clinical trial in China and New Zealand in March 2023 and the subsequent launch of Phase II clinical trial for desensitizing highly HLA-sensitized patients to enable kidney transplantation in China in January 2024;

(v) there had been no change in the valuation of our Company from Series C to Series C+ Financing other than the [**REDACTED**] received from the Series C+ Financing; and

(vi) the increase in the valuation of our Company from Series C+ Financing to the [**REDACTED**] was primarily due to the following progresses since the Company and the investors from Series C+ Financing reached preliminary consensus on the investment terms in August 2024, including but not limited to (a) the business collaboration with Group A, a global leader in fertility treatments, for development, manufacturing and commercialization of SJ02 in China. See "Business — Collaboration Agreements — License and Commercialization Agreement with Group A" for details, (b) submission of an IND application for KJ101 to the NMPA in November 2024, (c) receiving an IND approval for KJ015 from the NMPA in December 2024, (d) submission of an IND application for BJ007 to the NMPA in December 2024, (e) expected obtain of IND approvals and initiation of Phase I clinical trials for KJ101 and BJ007 in the first half of 2025, (f) expected completion of enrollment of all subjects for the Phase l clinical trial of SJ04 in 2025, and (g) the premium attached to the Shares of the Company as they become freely tradeable upon the [**REDACTED**].

Special Rights of the [REDACTED] Investors

The [**REDACTED**] Investors were granted certain customary special rights, including but not limited to redemption rights, pre-emptive and co-sale rights, anti-dilution rights, drag-along rights, liquidation rights, and information right. Pursuant to the investment agreement entered into by our Company and the relevant Shareholders on December 18, 2024 and the resolutions passed by our Shareholders on January 21, 2025, all shareholders' special rights shall be terminated before or upon our first submission of the [**REDACTED**] to the Stock Exchange in relation to the [**REDACTED**], provided that (1) the redemption right granted by the Company, liquidation preference and anti-dilution right will be *void ab initio* and (2) such other special rights shall be reinstated in the event that the [**REDACTED**] does not take place such as (i) the Company voluntarily withdraws its [**REDACTED**], (ii) the Company's [**REDACTED**] is rejected by the Stock Exchange, or (iii) the Joint Sponsors withdraw from the Company's [**REDACTED**].

Joint Sponsors' Confirmation

On the basis that (i) the consideration for the [**REDACTED**] Investments was irrevocably settled no less than 120 clear days before the [**REDACTED**]; and (ii) no special rights of our [**REDACTED**] Investors will exist after the [**REDACTED**], the Joint Sponsors confirm that the [**REDACTED**] Investments are in compliance with Chapter 4.2 of the Guide for New Listing Applicants.

Information about Our [REDACTED] Investors

Our existing [**REDACTED**] Investors include Sophisticated Investors identified pursuant to Chapter 2.3 of the Guide for New Listing Applicants issued by the Stock Exchange, such as Center Laboratories, Fangyuan Capital and Findowin Capital. To the best knowledge of our Directors, save as disclosed below, each of the [**REDACTED**] Investors and their respective ultimate beneficial owners is an Independent Third Party.

The background information on our [**REDACTED**] Investors is as set out below.

1. Center Lab

Center Lab is a limited liability company incorporated in Hong Kong and is wholly owned by Center Laboratories. Center Laboratories is a joint stock limited liability company incorporated in Taiwan in 1959 (TWO: 4123). Center Lab serves as an investment holding company of Center Laboratories and manages Center Laboratories' overseas assets. Center Laboratories is primarily engaged in developing, manufacturing and sales of oral solution pharmaceuticals. In addition to developing generic and innovative new drugs, Center Laboratories is also heavily investing in the biotechnology industry chain and establishing a professional biotechnology incubator platform. As of September 30, 2024, Center Laboratories had net assets of 19.3 billion New Taiwan Dollars. It had invested in several biotech and pharmaceutical companies, including Ausnutria Dairy Corporation Ltd (澳優乳業股份有限公司) (HKEX: 1717), Jacobio Pharmaceuticals Group Co., Ltd. (加科思藥業集團有限公司) (HKEX: 1167), and TOT Biopharm International Company Limited (東曜藥業股份有限公司) (HKEX: 1875).

2. Fangyuan Capital (through PCJ Bao and Venus Capital)

PCJ Bao

PCJ Bao is a limited liability company incorporated in Hong Kong and is primarily engaged in investment holding. As of the Latest Practicable Date, PCJ Bao was wholly owned by Fangyuan Growth SPC ("**Fangyuan Growth**"), an exempted segregated portfolio company incorporated in Cayman Islands. As of the Latest Practicable Date, Fangyuan Growth was in turn wholly owned by PCJ Capital Management Limited ("**PCJ Capital**"), an exempted company incorporated in the Cayman Islands, which was ultimately owned as to 50.00% by Ms. Zheng Juan (鄭娟), and none of the other shareholders of PCJ Capital held more than 30.00% of equity interest. As of the Latest Practicable Date, Fangyuan Growth was managed by Fangyuan Capital (Hong Kong) Limited (方圓資本(香港)有限公司) ("**Fangyuan Capital**"), a limited liability company incorporated in Hong Kong, which is active in healthcare investments.

Venus Capital

Venus Capital is a limited liability company incorporated in Hong Kong and is primarily engaged in investment holding. As of the Latest Practicable Date, Venus Capital was wholly owned by Fangyuan J Fund II ("**Fangyuan Fund**"), an exempted company incorporated in Cayman Islands. As of the Latest Practicable Date, Fangyuan Fund was indirectly wholly owned by Ms. Zheng Juan (鄭娟), a former director of the Company. Fangyuan Fund is also managed by Fangyuan Capital.

Both PCJ Bao and Venus Capital are entities under management of Fangyuan Capital. Fangyuan Capital is licensed to carry out Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO. Fangyuan Capital invests in industries including life sciences and healthcare. Fangyuan Capital had total assets under management of approximately US$162 million as of the Latest Practicable Date.

3. Shanghai Luohui

Shanghai Luohui is a limited partnership established in the PRC and is primarily engaged in corporate management consultation. The general partner of Shanghai Luohui is Zhong Shunlin (鍾舜霖), holding approximately 55.56% of the partnership interest. As of the Latest Practicable Date, Shanghai Luohui had 14 limited partners, the largest of whom was Zhang Senlin (張森林), holding approximately 12.96% of the partnership interest.

4. Shanghai Dongxi (through Shanghai Cixi and Jiaxing Xiqi)

Shanghai Cixi

Shanghai Cixi is a limited partnership established in the PRC and is primarily engaged in venture capital and investment management. The general partner of Shanghai Cixi is Shanghai Xihao Investment Management Co., Ltd. (上海熙灝投資管理有限公司) ("**Shanghai Xihao**"), holding approximately 0.10% of the partnership interest. As of the Latest Practicable Date, Shanghai Xihao was owned as to 50.00% by Li Jiaqi (李佳琦), 30.00% by Shanghai Dongxi Investment Development Co., Ltd. (上海東熙投資發展有限公司) ("**Shanghai Dongxi**"), and 20.00% by Yuan Liangyong (袁良永), respectively. Shanghai Dongxi was owned as to 99.00% by Ling Chao (凌超) and 1.00% by Shanghai Yu Hai Enterprise Development Group Co., Ltd. (上海宇海企業發展集團有限公司), a wholly owned subsidiary of Ling Chao (凌超), as of the Latest Practicable Date. As of the Latest Practicable Date, Shanghai Cixi had two limited partners, namely Jiangsu Yunpan Trading Co., Ltd. (江蘇雲畔商貿有限公司) ("**Jiangsu Yunpan**") and Shenzhen Yingsheng Investment Co., Ltd. (深圳市英晟投資有限公司) ("**Shenzhen Yingsheng**"), each holding 49.95% of the partnership interest, respectively. Jiangsu Yunpan was owned as to 99.00% by Qian Zhimin (錢志敏) as of the Latest Practicable Date. Shenzhen Yingsheng was owned as to approximately 87.44% by Li Jiaqi (李佳琦) and 12.56% by Li Jie (李傑) as of the Latest Practicable Date.

Jiaxing Xiqi

Jiaxing Xiqi is a limited partnership established in the PRC and is primarily engaged in venture capital and investment consulting. The general partner of Jiaxing Xiqi is Shanghai Xihao, holding approximately 1.11% of the partnership interests. As of the Latest Practicable Date, Jiaxing Xiqi had four limited partners, with the largest limited partner Xu Ren (徐任) holding approximately 44.44% of the partnership interest, and Jiangsu Yunpan holding approximately 43.33% of the partnership interest. None of the other limited partners held 30.00% or more as of the Latest Practicable Date.

Both Shanghai Cixi and Jiaxing Xiqi are investment arms of Shanghai Dongxi. Shanghai Dongxi was founded in 2010 and strategically invests in industries including energy conservation and environmental protection, cultural media, healthcare, TMT (technology, media, and telecommunications), and intelligent manufacturing.

5. Xiamen Youlang

Xiamen Youlang is a limited partnership established in the PRC and is primarily engaged in private equity investment, investment management, and asset management. The general partner of Xiamen Youlang is Shanghai Tiliang Investment Management Co., Ltd. (上海提梁投資管理有限公司) ("**Shanghai Tiliang**"), holding approximately 0.001% of the partnership interest. As of the Latest Practicable Date, Shanghai Tiliang was owned as to 80.00% by Zhang Yi (張軼) and 20.00% by Xie Shihuang (謝世煌). As of the Latest Practicable Date, Xiamen Youlang had two limited partners, namely Ding Lili (丁麗麗) and Guo Zhongwu (郭忠武), holding approximately 66.65% and 33.35% of the partnership interest, respectively.

6. ROSY ELEGANT

ROSY ELEGANT is a company limited by shares incorporated in Hong Kong and is primarily engaged in investment holding. As of the Latest Practicable Date, ROSY ELEGANT was wholly-owned by Zhang Min (張敏).

7. Shanghai Luoqun

Shanghai Luoqun is a limited partnership established in the PRC and is primarily engaged in business management consulting. The general partner of Shanghai Luoqun is Li Yuping (李珏萍), holding approximately 7.12% of the partnership interest. As the Latest Practicable Date, Shanghai Luoqun had 15 limited partners, with the two largest partners, namely Wang Ying (王瑩) and Cui Kaixiang (崔凱翔), each holding approximately 16.18% of partnership interests, respectively.

8. Shanghai Guqing

Shanghai Guqing is a sole proprietorship established in the PRC and is primarily engaged in business management consulting and business information consulting. As of the Latest Practicable Date, Shanghai Guqing is wholly-owned by Cheng Yan (程岩).

9. Shanghai Luoyuan

Shanghai Luoyuan is a limited partnership established in the PRC and is primarily engaged in business management consulting and financial consulting. The general partner of Shanghai Luoyuan is Shanghai Huiyuan Investment Co., Ltd. (上海暉圓投資有限公司) ("**Shanghai Huiyuan**"), holding 2.00% of the partnership interest. As of the Latest Practicable Date, Shanghai Huiyuan was wholly-owned by Zhou Kai (周凱). As of the Latest Practicable Date, Shanghai Luoyuan had two limited partners, namely Cheng Yan (程岩) and Tang Chunshan (唐春山), each holding 49.00% of the partnership interest, respectively.

10. Findowin Capital (through Qingdao Yuanchuang, Yantai Duoying, Jinan Chanfa and Shandong Caixin)

Qingdao Yuanchuang

Qingdao Yuanchuang is a limited partnership established in the PRC and is primarily engaged in equity investment and venture capital. The general partner of Qingdao Yuanchuang is Qingdao Yuanzhi Lifan Equity Investment Management Co., Ltd. (青島源志立帆股權投資管理有限公司) ("**Qingdao Yuanzhi**"), holding approximately 2.33% of the partnership interest. As of the Latest Practicable Date, Qingdao Yuanzhi was owned as to 45.00% by each of Beijing Finnova Investment Management Co., Limited (北京融新源創投資管理有限公司) ("**Beijing Finnova**") and Duoying Investment Management Co., Ltd. (多盈投資管理股份有限公司) ("**Duoying Investment**"). Beijing Finnova was owned as to approximately 56.06% by Shandong Rongdao Investment Co., Ltd. (山東融道投資有限公司), which was in turn owned as to approximately 98.33% by Feng Zhuangzhi (馮壯志). Duoying Investment was owned as to 50.00% by Shandong Saixing Holding Group Co., Ltd. (山東賽星控股集團有限公司) ("**Shandong Saixing**") and 23.00% by Beijing Finnova, as of the Latest Practicable Date. Shangdong Saixing was owned as to approximately 77.26% by Shandong Saier Enterprise Management Consulting Co., Ltd. (山東賽爾企業管理諮詢有限公司), which was in turn owned as to approximately 98.53% by Zou Fangming (鄒方明), as of the Latest Practicable Date.

As of the Latest Practicable Date, Qingdao Yuanchuang had eight limited partners, the largest of whom was Shandong New Energy Fund Management Co., Ltd. (山東省新動能基金管理有限公司) ("**Shandong New Energy**"), holding approximately 23.26% of the partnership interest. None of the other limited partners held 30.00% or more as of the Latest Practicable Date. Shandong New Energy was wholly owned by Shandong Caijin Investment Co., Ltd. (山東省財金投資集團有限公司), which was in turn owned to 92.03% by Department of Finance of Shandong Province (山東省財政廳).

Yantai Duoying

Yantai Duoying is a limited partnership established in the PRC and is primarily engaged in energy conservation and environmental protection, service industry, advanced manufacturing, biomedicine investment. The general partner of Yantai Duoying is Yantai Duoying Equity Investment Management Co., Ltd. (煙台多盈股權投資管理有限公司) ("**Yantai Duoying Investment**"), holding approximately 4.13% of the partnership interest. As of the Latest Practicable Date, Yantai Duoying Investment had two largest shareholders, namely Shandong Duoying Capital Ltd. (山東多盈股權投資管理有限公司) ("**Shandong Duoying**") and Beijing Finnova, each holding 35.00% of shareholding, respectively. Shandong Duoying was owned as to 51.00% by Shandong Saixing, as of the Latest Practicable Date.

As of the Latest Practicable Date, Yantai Duoying had six limited partners, the largest of whom was Shandong New Energy, holding approximately 24.79% of the partnership interest.

Jinan Chanfa

Jinan Chanfa is a limited partnership established in the PRC and is primarily engaged in private equity fund management and venture capital fund management. The general partner of Jinan Chanfa is Jinan Laiwu High Tech Zone Yuanchuang Equity Investment Management Co., Ltd. (濟南市萊蕪高新區源創股權投資管理有限公司) ("**Laiwu Yuanchuang**"), holding approximately 2.94% of the partnership interest. Laiwu Yuanchuang was owned as to approximately 40.63% by each of Tianjin Duoying Baotai Investment Management Partnership Enterprise (Limited Partnership) (天津多盈保泰投資管理合夥企業(有限合夥)) ("**Duoying Baotai**") and Tianjin Yuanchuang Investment Management Partnership Enterprise (Limited Partnership) (天津源創投資管理合夥企業(有限合夥)) ("**Tianjin Yuanchuang**"), as of the Latest Practicable Date. The general partner of Duoying Baotai is Huang Xiaolong (黃小龍), holding 46.00% of the partnership interest. As of the Latest Practicable Date, Duoying Baotai had two limited partners, the largest of whom was Feng Zhuangzhi (馮壯志), holding 49.00% of the partnership interest. The general partner of Tianjin Yuanchuang is Beijing Finnova, holding 1.00% of the partnership interest.

As of the Latest Practicable Date, Jinan Chanfa had three limited partners, the largest of whom was Shanghai Saixing Investment Management Co., Ltd. (上海賽星投資管理有限公司) ("**Shanghai Saixing**"), holding approximately 52.94% of the partnership interest. None of the other limited partners held 30.00% or more as of the Latest Practicable Date. Shanghai Saixing was wholly owned by Shanghai Saixing Enterprise Management Co., Ltd. (上海賽星企業管理有限公司), which was owned as to approximately 99.19% by Zou Fangming (鄒方明) as of the Latest Practicable Date.

Shandong Caixin

Shandong Caixin is a limited partnership established in the PRC and is primarily engaged in investment activities. The general partner of Shandong Caixin is Beijing Finnova holding approximately 6.29% of the partnership interest. As of the Latest Practicable Date, Shandong

Caixin had two limited partners, the largest of whom was Shandong Caixin Investment Co., Ltd. (山東省財欣投資有限公司) ("**Shandong Caixin Investment**"), holding approximately 84.12% of the partnership interest. Shandong Caixin Investment was indirectly wholly owned by Shandong Provincial Department of Finance (山東省財政廳) as of the Latest Practicable Date.

Each of Qingdao Yuanchuang, Yantai Duoying, Jinan Chanfa and Shandong Caixin is an investment arm of Findowin Capital. Findowin Capital was founded in 2014 and strategically invests in industries including carbon neutrality, semiconductors, new materials, biotechnology, healthcare, and information technology innovation. Findowin Capital had total assets under management of over RMB7 billion as of the Latest Practicable Date.

11. Oriental Fortune Capital (through Fuhai Junyong No. 6, Fuhai Junyong No. 2, Fuhai Jingxuan No. 2, and Fuhai Youxuan No. 2)

Fuhai Junyong No. 6, Fuhai Junyong No. 2, Fuhai Jingxuan No. 2, and Fuhai Youxuan No. 2 are limited partnerships established in the PRC and are funds managed by subsidiaries of Shenzhen Oriental Fortune Capital Co., Ltd. (深圳市東方富海投資管理股份有限公司) ("**Oriental Fortune Capital**"). Oriental Fortune Capital is a joint stock company with limited liability incorporated in the PRC and is a professional investment institution that makes equity investment in high-quality enterprises through its managed funds. As of the Latest Practicable Date, Oriental Fortune Capital was owned as to approximately 28.78% by Wuhu Fuhai Jiutai Investment Consulting Partnership Enterprise (Limited Partnership) (蕪湖市富海久泰投資諮詢合夥企業(有限合夥)) ("**Fuhai Jiutai**"). None of the other shareholders of Oriental Fortune Capital held more than 30.00% of equity interest. The general partner of Fuhai Jiutai is Chen Wei (陳瑋), holding approximately 53.30% of the partnership interest. As of the Latest Practicable Date, Fuhai Jiutai had 14 limited partners, the largest of whom was Cheng Houbo (程厚博), holding approximately 9.52% of the partnership interest.

Fuhai Junyong No. 6

The executive and general partner of Fuhai Junyong No. 6 is Oriental Fortune (Wuhu) Equity Investment Fund Management Enterprise (Limited Partnership) (東方富海(蕪湖)股權投資基金管理企業(有限合夥)) ("**Oriental Fortune (Wuhu)**"), holding approximately 1.49% of the partnership interest. As of the Latest Practicable Date, the general partner of Oriental Fortune (Wuhu) was Shenzhen Oriental Fortune Capital Entrepreneurship Investment Management Co., Ltd. (深圳市東方富海創業投資管理有限公司) ("**Oriental Fortune Capital Management**"), a wholly owned subsidiary of Oriental Fortune Capital, holding 5.00% of the partnership interest. As of the Latest Practicable Date, the limited partner of Oriental Fortune (Wuhu) was Oriental Fortune Capital, holding 95.00% of the partnership interest. As of the Latest Practicable Date, Fuhai Junyong No. 6 had another general partner, Shenzhen Fuhai Junyong Entrepreneurship Management Partnership (Limited Partnership) (深圳富海雋永創業管理合夥企業（有限合夥）) ("**Fuhai Junyong**"), holding 11.92% of the partnership interest and 18 limited partners. As of the Latest Practicable Date, the general partner of Fuhai Junyong was Ganzhou Hairongtong Investment Management Partnership Enterprise (Limited

Partnership) (贛州海融通投資管理合夥企業(有限合夥)) ("**Ganzhou Hairongtong**"), holding 66.10% of the partnership interest and the general partner of Ganzhou Hairongtong was Diao Juanhuan (刁雋桓), a non-executive Director of our Company, holding 50.00% of the partnership interest. The limited partner of Ganzhou Hairongtong was Diao Haitao (刁海濤), holding 50.00% of the partnership interest. As of the Latest Practicable Date, Fuhai Junyong had one limited partner, Oriental Fortune (Wuhu), holding 33.90% of the partnership interest. As of the Latest Practicable Date, among the 18 limited partners of Fuhai Junyong No. 6, Ganzhou Huankai Investment Management Enterprise (Limited Partnership) (贛州桓凱投資管理企業(有限合夥)) ("**Ganzhou Huankai**"), was its largest limited partner, holding approximately 15.05% of its partnership interest. The general partner of Ganzhou Huaikai was Diao Juanhuan (刁雋桓) holding approximately 33.33% of the partnership interest. As of the Latest Practicable Date, Ganzhou Huaikai had three limited partners, the largest of whom was Diao Haitao (刁海濤), holding approximately 33.33% of the partnership interest. None of the other limited partners held 30.00% or more as of the Latest Practicable Date.

Fuhai Junyong No. 2

The executive and general partner of Fuhai Junyong No. 2 is Oriental Fortune Capital Management, holding approximately 0.68% of the partnership interest. As of the Latest Practicable Date, Fuhai Junyong No. 2 had another general partner, Fuhai Junyong, holding approximately 21.92% of the partnership interest. As of the Latest Practicable Date, Fuhai Junyong No. 2 had 16 limited partners, and Huang Xiaomin (黃小敏), being its largest limited partner, held approximately 15.07% of its partnership interest.

Fuhai Jingxuan No. 2

The general partner of Fuhai Jingxuan No. 2 is Oriental Fortune Capital Management, holding approximately 1.00% of its partnership interest. As of the Latest Practicable Date, Fuhai Jingxuan No. 2 had 20 limited partners, and Rugao Zhonggao Fuhai Venture Capital Partnership (Limited Partnership) (如皋市中皋富海創業投資合夥企業(有限合夥)) ("**Zhonggao Fuhai**"), being its largest limited partner, held approximately 19.00% of its partnership interest. None of the other limited partners held 30.00% or more as of the Latest Practicable Date. The general partner of Zhonggao Fuhai is Oriental Fortune (Wuhu), holding approximately 0.53% partnership interest. As of the Latest Practicable Date, Zhonggao Fuhai had two limited partners, the largest of whom was Oriental Fortune Capital, holding approximately 75.79% of the partnership interest.

Fuhai Youxuan No. 2

The general partner of Fuhai Youxuan No. 2 is Oriental Fortune Capital Management, holding approximately 2.51% of its partnership interest. As of the Latest Practicable Date, Fuhai Youxuan No. 2 had 44 limited partners, and Jiaxing Dongjiashun Phase V Equity Investment Partnership Enterprise (Limited Partnership) (嘉興東家順五期股權投資合夥企業(有限合夥)) ("**Jiaxing Dongjiashun**") being its largest limited partner, held approximately 13.83% of its partnership interest. The general partner of Jiaxing Dongjiashun is Shanghai

Jinshundong Investment Management Co., Ltd. (上海金順東投資管理有限公司) ("**Shanghai Jinshundong**"), holding approximately 0.17% of its partnership interest. As of the Latest Practicable Date, Shanghai Jinshundong was indirectly wholly owned by JD Technology Holdings Co., Ltd. (京東科技控股股份有限公司), which was owned as to approximately 41.73% by Suqian Juhe Digital Enterprise Management Co., Ltd. (宿遷聚合數字企業管理有限公司) ("**Suqian Juhe**"). As of the Latest Practicable Date, Suqian Juhe was owned as to 90.00% by Suqian Hanyu Technology Co., Ltd. (宿遷瀚宇科技有限公司), which in turn was owned as to 45.00% by Miu Qin (繆欽) and 30.00% by Li Yayun (李婭雲). As of the Latest Practicable Date, Jiaxing Dongjiashun had 47 limited partners, and Tian Fengxiang (田鳳香), being its largest limited partner, held approximately 8.74% of its partnership interest.

Each of Fuhai Junyong No. 6, Fuhai Junyong No. 2, Fuhai Jingxuan No. 2, and Fuhai Youxuan No. 2 is a fund managed by subsidiaries of Oriental Fortune Capital. Oriental Fortune Capital was founded in 2006 and strategically invests in industries including information and technology, energy conservation and environmental protection, healthcare, new materials, and culture consumption.

12. Haitong Innovation Securities

Haitong Innovation Securities is a limited liability company established in the PRC and is primarily engaged in securities investment, financial products investment, and equity investment. Haitong Innovation Securities is wholly owned by Haitong Securities Co., Ltd. (海通證券股份有限公司).

13. Yangtze River Delta Industrial

Yangtze River Delta Industrial is a limited partnership established in the PRC and is primarily engaged in equity investment, investment management, and asset management. The general partner of Yangtze River Delta Industrial is Shanghai Shengshi Jiayi Enterprise Management Co., Ltd. (上海盛石嘉益企業管理有限公司) ("**Shengshi Jiayi**"), holding approximately 0.30% of the partnership interest. As of the Latest Practicable Date, Shengshi Jiayi was owned as to 30.00% by Shanghai Sun Rock Capital Management Co., Ltd. (上海盛石資本管理有限公司) ("**Sun Rock Capital**"). As of the Latest Practicable Date, Sun Rock Capital was owned as to 35.00% by Ningbo Guxin Lecheng Investment Management Partnership (Limited Partnership) (寧波固信樂成投資管理合夥企業(有限合夥)), which is ultimately controlled by Sun Feng (孫烽) and as to 35.00% by Shanghai Guosheng Capital Management Co., Ltd. (上海國盛資本管理有限公司), which was ultimately controlled by Shanghai State-owned Assets Supervision and Administration Commission (上海市國有資產監督管理委員會), respectively. None of the other shareholders of Sun Rock Capital held more than 30.00% of equity interest.

As of the Latest Practicable Date, Yangtze River Delta Industrial had six limited partners, the largest of whom was Zhangjiagang Jiyang No. 1 Enterprise Management Partnership Enterprise (Limited Partnership) (張家港暨陽壹號企業管理合夥企業(有限合夥)) ("**Jiyang No. 1**"), holding approximately 40.61% of the partnership interest. None of the other limited

partners held 30.00% or more as of the Latest Practicable Date. The general partner of Jiyang No. 1 was Zhangjiagang Jiyang Jinmao Investment Partnership Enterprise (Limited Partnership) (張家港暨陽金茂投資合夥企業(有限合夥)) ("**Jiyang Jinmao**"), holding approximately 0.20% partnership interest. The general partner of Jiyang Jinmao is Zhangjiagang Investment Promotion Industry Capital Investment Management Co., Ltd. (張家港市招商產業資本投資管理有限公司) ("**Zhangjiagang Investment**"), holding approximately 0.10% of the partnership interest. Zhangjiagang Investment is ultimately controlled by China Merchants Capital Co., Ltd. (招商局資本投資有限責任公司), a company indirectly owned as to 50.00% by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC (國務院國有資產監督管理委員會) and directly owned as to 50.00% by GLP Capital Investment 5 (HK) Limited, a company ultimately controlled by GLP Pte. Ltd. (a company listed on the main board of Singapore Stock Exchange on 19 October 2010 and completed privatization and delisted from the Singapore Stock Exchange in January 2018). As of the Latest Practicable Date, Jiyang Jinmao had two limited partners, (i) Zhangjiagang Jinmao Collective Asset Management Center (張家港市金茂集體資產經營管理中心), holding approximately 59.94% of the partnership interest, was an enterprise with collective ownership, owned by more than 50 people, each holding less than 2% interest, and (ii) Zhangjiagang Wenshang Travel Group Co., Ltd. (張家港市文商旅集團有限公司), holding 39.96% of the partnership interest, was indirectly wholly owned by Zhangjiagang State-owned Assets Management Center (張家港市國有資產管理中心).

As of the Latest Practicable Date, Jiyang No. 1 had five limited partners, the largest of whom was Zhangjiagang Industrial Capital Investment Co., Ltd. (張家港產業資本投資有限公司) ("**Zhangjiagang Industrial Capital**"), holding approximately 39.92% of the partnership interest. None of the other limited partners held 30.00% or more as of the Latest Practicable Date. Zhangjiagang Industrial Capital was ultimately controlled by Zhangjiagang State-owned Assets Management Center (張家港市國有資產管理中心) as of the Latest Practicable Date.

14. Ningbo Longhuahui

Ningbo Longhuahui is a limited partnership established in the PRC and is primarily engaged in venture capital. The general partner of Ningbo Longhuahui is Ningbo Jintong Jiuge Enterprise Management Partnership (Limited Partnership) (寧波金通九格企業管理合夥企業(有限合夥)) ("**Jintong Jiuge**"), holding 3.20% of the partnership interest. The general partner of Jintong Jiuge is Ningbo Jiuge Equity Investment Management Partnership Enterprise (Limited Partnership) (寧波九格股權投資管理合夥企業(有限合夥)) ("**Ningbo Jiuge**"), holding 51.00% of the partnership interest. The general partners of Ningbo Jiuge are Cao Yun (曹蘊) and Hu Zhihui (胡智慧), each holding 18.73% and 22.24% of the partnership interest. As of the Latest Practicable Date, Ningbo Jiuge had ten limited partners, the largest of whom was Jintong Zhihui Investment Management Co., Ltd. (金通智匯投資管理有限公司) ("**Jintong Zhihui**"), holding approximately 26.03% of the partnership interest. None of the other limited partners held 30.00% or more as of the Latest Practicable Date. Jintong Zhihui was ultimately controlled by Yuan Yonggang (袁永剛) as of the Latest Practicable Date. As of the Latest Practicable Date, Jintong Jiuge had eight limited partners, the largest of whom was Jintong Zhihui, holding 15.50% of the partnership interest.

As of the Latest Practicable Date, Ningbo Longhuahui had eight limited partners, Huafang Group Co., Ltd. (華芳集團有限公司) ("**Huafang Group**"), being the largest limited partner, held 40.00% of the partnership interest. None of the other limited partners held 30.00% or more as of the Latest Practicable Date. Huafang Group had 11 shareholders and none of whom had more than 30.00% equity interest therein as of the Latest Practicable Date.

15. Jiaxing No. 2

Jiaxing No. 2 is a limited partnership established in the PRC and is primarily engaged in venture capital. The general partner of Jiaxing No. 2 is Shenzhen Jiayuan Capital Management Co., Ltd. (深圳市嘉遠資本管理有限公司) ("**Jiayuan Capital**"), holding approximately 0.35% of the partnership interest. Jiayuan Capital was ultimately controlled by Rao Yuan (饒遠) as of the Latest Practicable Date. As of the Latest Practicable Date, Jiaxing No. 2 had 17 limited partners, the largest of whom was Shenzhen Jiaxin Investment Co., Ltd. (深圳市嘉昕投資有限公司) ("**Shenzhen Jiaxin**"), holding approximately 17.70% of the partnership interest. Shenzhen Jiaxin was wholly owned by Rao Yuan (饒遠) as of the Latest Practicable Date.

16. North Shanghai Biomedical

North Shanghai Biomedical is a limited liability company established in the PRC and is primarily engaged in technology development, technical consultation and technology transfer in the biomedical science and technology industry. North Shanghai Biomedical was wholly owned by Shanghai Baoshan District Luodian Industrial Company (上海市寶山區羅店工業公司), which was ultimately controlled as to 98.00% by Baoshan District Luodian Economic Association (寶山區羅店經濟聯社).

17. Shanghai Jifu

Shanghai Jifu is a limited partnership established in the PRC and is primarily engaged in import and export of goods and technology. The general partner of Shanghai Jifu is Huang Tiankai (黃天開), holding 25.00% of the partnership interest. As of the Latest Practicable Date, Shanghai Jifu had three limited partners, namely Huang Qifeng (黃奇楓), Huang Baochong (黃寶崇), and Huang Jiabao (黃加寶), each holding 25.00% of the partnership interest.

18. Nanjing United Future

Nanjing United Future is a limited partnership established in the PRC and is primarily engaged in business management, venture capital, and equity investment. The general partner of Nanjing United Future is Nanjing United Future Enterprise Management Co., Ltd. (南京聯合未來企業管理有限公司), holding approximately 3.33% of the partnership interest and ultimately controlled by Chen Qingwei (陳慶偉). As of the Latest Practicable Date, Nanjing United Future had three limited partners, with the largest limited partner, Shanghai Hanguo Industrial Group Co., Ltd. (上海漢國實業集團有限公司) ("**Shanghai Hanguo**"), holding

70.00% of the partnership interest. None of the other limited partners held 30.00% or more as of the Latest Practicable Date. Shanghai Hanguo was owned as to 90.00% by Chen Jiachao (陳家超) and 10.00% by Zhuo Boao (卓博濤) as of the Latest Practicable Date.

19. SHC

SHC is a limited partnership established in the PRC and is primarily engaged in equity investment in the pharmaceutical industry. The general partner of SHC is Shanghai Healthcare Capital Management Co., Ltd. (上海生物醫藥產業股權投資基金管理有限公司). None of the limited partners of SHC holds more than 30.00% of the partnership interest in SHC.

20. Tianjin Bo'ao

Tianjin Bo'ao is a limited partnership established in the PRC and is primarily engaged in business management and technical service. The general partner of Tianjin Bo'ao is Li Pan (李攀), holding 60.00% of the partnership interest. As of the Latest Practicable Date, Tianjin Boao had one limited partner, namely Xu Peng (胥芃), holding 40.00% of the partnership interest.

21. Shanghai STVC Group

Shanghai STVC Group is a limited liability company established in the PRC and is primarily engaged in venture capital in technology industry. As of the Latest Practicable Date, Shanghai STVC Group was wholly owned by Shanghai State-owned Capital Investment Co., Ltd. (上海國有資本投資有限公司), which was in turn wholly owned by Shanghai State-owned Assets Supervision and Administration Commission (上海國有資產監督管理委員會).

22. Baoshan Capital

Baoshan Capital is a limited liability company established in the PRC and is primarily engaged in investment management. As of the Latest Practicable Date, Baoshan Capital was wholly owned by Shanghai Baoshan District State-owned Assets Supervision and Administration Commission (上海市寶山區國有資產監督管理委員會).

23. Yuanxiong Real Estate

Yuanxiong Real Estate is a limited liability company established in the PRC and is primarily engaged in comprehensive real estate development and construction. As of the Latest Practicable Date, Yuanxiong Real Estate was wholly owned by FSJ Trading Pte Ltd, which was in turn owned as to 95.0% by Flagstone Trading Limited ("**Flagstone**"). As of the Latest Practicable Date, Flagstone was owned as to 33.0% by each of Zhao Wenyu (趙文瑜) and Zhao Xinqing (趙信清).

24. Individual Investors

Each of Zheng Keqing (鄭可青), Zheng Xiaodong (鄭效東), Nie Miao (聶淼), Wang Jufang (王菊芳), Cui Hongyan (崔洪豔), Liu Jintao (劉金濤), Huang Haitao (黃海濤), Xu Sumin (許素敏), Chen Jichun (陳紀春), Luo Chun (駱純), Li Jueping (李珏萍), Zhang Yahong (張亞紅), Fan Hong (樊紅), Song Aihui (宋愛暉), Zhao Liping (趙莉萍), and Chen Zhan (陳展) is an individual investor and an Independent Third Party.

ACTING IN CONCERT AGREEMENT

Pursuant to the AIC Agreement dated March 10, 2021, entered into by and amongst Dr. Liu, Ms. Wang and Mr. Tan, the Concert Parties agreed to reach consensus on all matters requiring approval by the Board and/or Shareholders, and to vote in the same manner on such matters in meetings of the Board and Shareholders. The Concert Parties further agreed that if they are unable to reach consensus on any such matters, Dr. Liu shall make the final decision. As of the Latest Practicable Date, Dr. Liu had the largest shareholding interest among the Concert Parties. Shanghai Luoxu, Shanghai Luojun and Ningbo Hongsheng are Share Incentive Platforms of our Company of which the exercise of voting rights was controlled by Dr. Liu. For further details of our Share Incentive Platforms, see "Appendix VII — Statutory and General Information — C. Further Information about the Directors, Supervisors, Senior Management and Substantial Shareholders — 5. [**REDACTED**] Share Incentive Plans."

As of the Latest Practicable Date, the Concert Parties, being members of the Controlling Shareholders of our Company, were collectively entitled to exercise an aggregate of approximately 45.91% voting rights in the Company, both directly and indirectly through the Share Incentive Platforms. For further details of the Concert Parties, see "Relationship with the Controlling Shareholders."

PUBLIC FLOAT

Upon the completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised) and the conversion of Unlisted Shares into H Shares, the [**REDACTED**] Unlisted Shares (taking into account the Share Subdivision) held by our Shareholders, representing approximately [**REDACTED**]% of our total issued Shares upon the completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised), will not be considered as part of the public float as the Shares are Unlisted Shares which will not be converted into H Shares and [**REDACTED**] on the Stock Exchange following the completion of the [**REDACTED**]. In addition, the H Shares held by certain of our Shareholders who are, our core connected persons or directly or indirectly controlled by our core connected persons, will not be counted towards the public float. Details of these Shareholders are set out below:

(a) Since Dr. Liu, Ms. Wang and Mr. Tan are our executive Directors and have been acting in concert pursuant to the AIC Agreement, the total of 25,956,915 H Shares held by the Concert Parties and the Share Incentive Platforms (taking into

account the Share Subdivision), representing an aggregate of approximately [**REDACTED**]% of our total issued Shares upon the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), will not be counted towards the public float.

(b) Since Center Lab is one of our substantial Shareholder, the total of 7,891,065 H Shares held by the Center Lab (taking into account the Share Subdivision), representing an aggregate of approximately [**REDACTED**]% of our total issued Shares upon the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), will not be counted towards the public float.

To the best knowledge of our Directors, save as disclosed above, immediately upon the completion of the [**REDACTED**] and conversion of Unlisted Shares into H Shares (assuming the [**REDACTED**] is not exercised), (i) assuming [**REDACTED**] H Shares are issued to the [**REDACTED**] in the [**REDACTED**] and [**REDACTED**] Unlisted Shares (taking into account the Share Subdivision) held or controlled by our Shareholders who are not our core connected persons will be converted into H Shares, an aggregate of [**REDACTED**] H Shares (taking into account the Share Subdivision) representing approximately [**REDACTED**]% of our total issued Shares will be counted towards the public float, which is in compliance with the requirement under Rule 8.08 of the Listing Rules; and (ii) based on an [**REDACTED**] of HK$[**REDACTED**] per Share, being the mid-point of the [**REDACTED**] of HK$[**REDACTED**] to HK$[**REDACTED**] per H Share, the Company will have a market capitalization of at least HK$375 million held by the [**REDACTED**] (excluding the H Shares to be subscribed by any existing Shareholders) as required under Rule 18A.07 of the Listing Rules.

SHARE INCENTIVE PLATFORMS

In recognition of the contributions of our employees and to incentivize them to further promote our development, we adopted the [**REDACTED**] Share Incentive Plans. As of the Latest Practicable Date, all the underlying Shares of the awards granted under the [**REDACTED**] Share Incentive Plans have been issued to our Share Incentive Platforms as set forth below.

Shanghai Luoxu

As of the Latest Practicable Date, Shanghai Luoxu directly held approximately 6.51% of the Shares of our Company. Shanghai Luoxu is a limited partnership established under the laws of the PRC on September 2, 2020, and managed by its executive partner, Dr. Liu, holding approximately 86.55% of the partnership interest. The partnership interest in Shanghai Luoxu held by Dr. Liu is not associated with the [**REDACTED**] Share Incentive Plans and the corresponding Shares held by Shanghai Luoxu are not included in the total incentive awards distributed under the [**REDACTED**] Share Incentive Plan. As of the Latest Practicable Date, Shanghai Luoxu had 18 individual limited partners, all of whom were our employees who were granted share awards under the [**REDACTED**] Share Incentive Plans.

Ningbo Hongsheng

As of the Latest Practicable Date, Ningbo Hongsheng directly held approximately 1.58% of the Shares of our Company. Ningbo Hongsheng is a limited partnership established under the laws of the PRC on December 8, 2020, and managed by its executive partner, Dr. Liu, holding approximately 95.33% of the partnership interest for the incentive awards he was granted under the [**REDACTED**] Incentive Plans. As of the Latest Practicable Date, Ningbo Hongsheng had 19 individual limited partners, all of whom were our employees who were granted share awards under the [**REDACTED**] Share Incentive Plans.

Shanghai Luojun

As of the Latest Practicable Date, Shanghai Luojun directly held approximately 3.60% of the Shares of our Company. Shanghai Luojun is a limited partnership established under the laws of the PRC on August 9, 2023, and managed by its executive partner, Dr. Liu, holding approximately 46.88% of the partnership interest for the incentive awards he was granted under the [**REDACTED**] Incentive Plans. As of the Latest Practicable Date, Shanghai Luoxu had 42 individual limited partners, all of whom were our employees who were granted share awards under the [**REDACTED**] Share Incentive Plans.

For details of our [**REDACTED**] Share Incentive Plans and awards granted thereunder, see "Appendix VII — Statutory and General Information — C. Further Information About the Directors, Supervisors, Senior Management and Substantial Shareholders — 5. [**REDACTED**] Share Incentive Plans."

CAPITALIZATION

Our Company [has] applied for H-share full circulation to convert certain of the Unlisted Shares into H Shares as per the instructions of the relevant Shareholders. The conversion of Unlisted Shares into H Shares will involve an aggregate of 119,748,850 Unlisted Shares (taking into account the Share Subdivision) held by 47 out of 53 existing Shareholders, representing approximately [**REDACTED**]% of total issued Share capital of the Company upon completion of the conversion of Unlisted Shares into H Shares and the [**REDACTED**] (assuming the [**REDACTED**] is not exercised).

Save as disclosed in this document and to the best knowledge of our Directors, we are not aware of the intention of any existing Shareholders to convert their Unlisted Shares into H Shares. For further details, see "Share Capital."

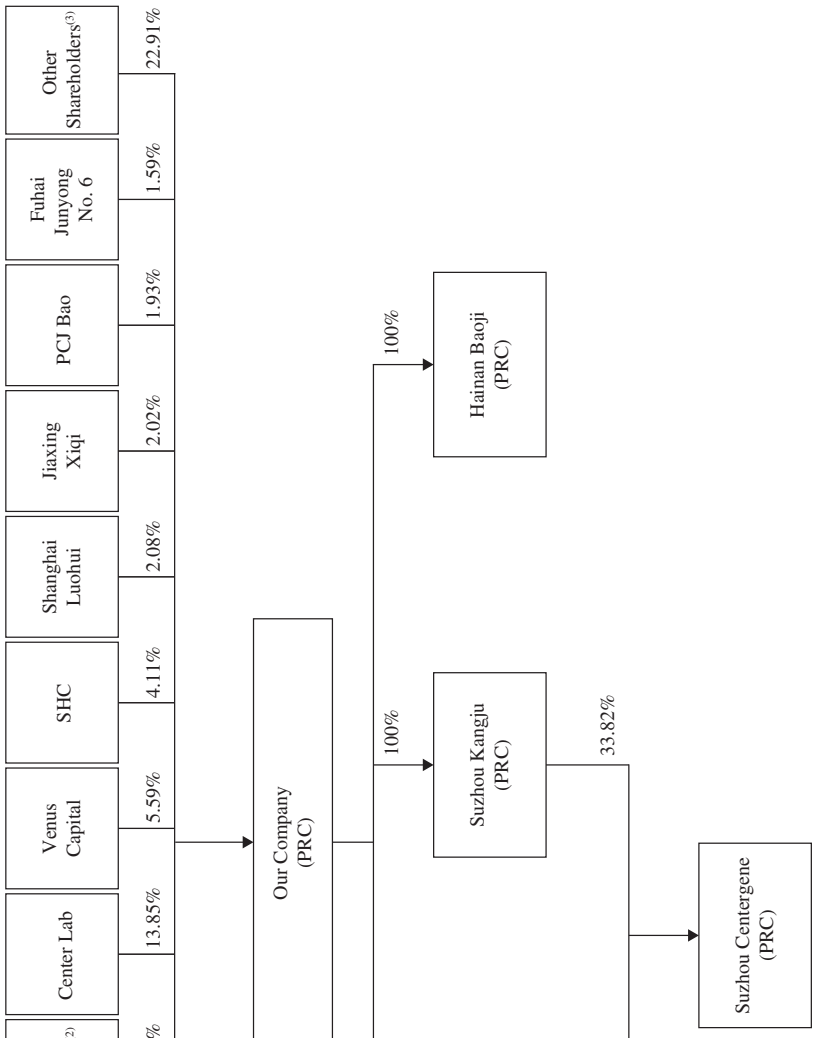
The table below is a summary of the capitalization of our Company upon completion of the conversion of the Unlisted Shares into H Shares and the [**REDACTED**] (assuming the [**REDACTED**] is not exercised):

	As at the Latest Practicable Date without taking into account the Share Subdivision		Immediately following the completion of the [REDACTED] (taking into account the Share Subdivision) and conversion of the Unlisted Shares into H Shares (assuming the [REDACTED] is not exercised)		
Shareholder	Number of Unlisted Shares held	Ownership percentage	Number of Unlisted Shares held	Number of H Shares held	Ownership percentage of total issued Shares
		(approx.)			*(approx.)*
Concert Parties	**19,717,229**	**34.23%**	**82,727,530**	**15,858,615**	[REDACTED]%
– Dr. Liu	12,217,229	21.21%	54,977,530	6,108,615	[REDACTED]%
– Ms. Wang	4,500,000	7.81%	20,250,000	2,250,000	[REDACTED]%
– Mr. Tan	3,000,000	5.21%	7,500,000	7,500,000	[REDACTED]%
Shanghai Luoxu	**3,750,000**	**6.51%**	**13,125,000**	**5,625,000**	[REDACTED]%
Shanghai Luojun	**2,073,119**	**3.60%**	**7,255,915**	**3,109,680**	[REDACTED]%
Ningbo Hongsheng	**909,081**	**1.58%**	**3,181,785**	**1,363,620**	[REDACTED]%
Sub-total	**26,449,429**	**45.91%**	**106,290,230**	**25,956,915**	[REDACTED]%
Center Lab	**7,981,066**	**13.85%**	**31,924,265**	**7,981,065**	[REDACTED]%
Fangyuan Capital	**4,332,222**	**7.52%**	**–**	**21,661,110**	[REDACTED]%
– Venus Capital	3,222,222	5.59%	–	16,111,110	[REDACTED]%
– PCJ Bao	1,110,000	1.93%	–	5,550,000	[REDACTED]%
SHC	**2,365,736**	**4.11%**	**2,957,170**	**8,871,510**	[REDACTED]%
Oriental Fortune Capital	**1,891,266**	**3.29%**	**4,728,170**	**4,728,160**	[REDACTED]%
– Fuhai Junyong No. 6	916,537	1.59%	2,291,345	2,291,340	[REDACTED]%
– Fuhai Junyong No. 2	392,801	0.68%	982,005	982,000	[REDACTED]%
– Fuhai Jingxuan No. 2	290,964	0.51%	727,410	727,410	[REDACTED]%
– Fuhai Youxuan No. 2	290,964	0.51%	727,410	727,410	[REDACTED]%
Findowin Capital	**1,763,478**	**3.07%**	**4,408,695**	**4,408,695**	[REDACTED]%
– Jinan Chanfa	741,958	1.29%	1,854,895	1,854,895	[REDACTED]%
– Shandong Caixin	354,860	0.62%	887,150	887,150	[REDACTED]%
– Qingdao Yuanchuang	333,330	0.58%	833,325	833,325	[REDACTED]%
– Yantai Duoying	333,330	0.58%	833,325	833,325	[REDACTED]%
Shanghai Dongxi	**1,663,856**	**2.89%**	**–**	**8,319,280**	[REDACTED]%
– Jiaxing Xiqi	1,163,856	2.02%	–	5,819,280	[REDACTED]%
– Shanghai Cixi	500,000	0.87%	–	2,500,000	[REDACTED]%
Shanghai Luohui	**1,200,000**	**2.08%**	**761,110**	**5,238,890**	[REDACTED]%
Haitong Innovation Securities	**872,892**	**1.52%**	**4,364,460**	**–**	[REDACTED]%
Zhang Yahong (張亞紅)	**709,721**	**1.23%**	**2,838,885**	**709,720**	[REDACTED]%
Shanghai Luoqun	**686,660**	**1.19%**	**1,316,655**	**2,116,645**	[REDACTED]%
Xiamen Youlang	**666,664**	**1.16%**	**–**	**3,333,320**	[REDACTED]%
Shanghai Guqing	**666,660**	**1.16%**	**–**	**3,333,300**	[REDACTED]%
Fan Hong (樊紅)	**591,434**	**1.03%**	**2,365,735**	**591,435**	[REDACTED]%
Shanghai Luoyuan	**444,440**	**0.77%**	**–**	**2,222,200**	[REDACTED]%
Zheng Keqing (鄭可青)	**444,440**	**0.77%**	**222,220**	**1,999,980**	[REDACTED]%
Zheng Xiaodong (鄭效東)	**436,446**	**0.76%**	**–**	**2,182,230**	[REDACTED]%
Nanjing United Future	**436,446**	**0.76%**	**–**	**2,182,230**	[REDACTED]%

	As at the Latest Practicable Date without taking into account the Share Subdivision		Immediately following the completion of the [REDACTED] (taking into account the Share Subdivision) and conversion of the Unlisted Shares into H Shares (assuming the [REDACTED] is not exercised)		
Shareholder	**Number of Unlisted Shares held**	**Ownership percentage**	**Number of Unlisted Shares held**	**Number of H Shares held**	**Ownership percentage of total issued Shares**
		(approx.)			*(approx.)*
Yangtze River Delta Industrial	**436,446**	**0.76%**	**–**	**2,182,230**	[REDACTED]%
Ningbo Longhuahui	**436,446**	**0.76%**	**–**	**2,182,230**	[REDACTED]%
Jiaxing No. 2	**392,801**	**0.68%**	**982,000**	**982,005**	[REDACTED]%
Shanghai STVC Group	**374,969**	**0.65%**	**–**	**1,874,845**	[REDACTED]%
Shanghai Jifu	**356,497**	**0.62%**	**–**	**1,782,485**	[REDACTED]%
Nie Miao (聶淼)	**333,330**	**0.58%**	**–**	**1,666,650**	[REDACTED]%
North Shanghai Biomedical	**290,964**	**0.51%**	**727,410**	**727,410**	[REDACTED]%
ROSY ELEGANT	**250,000**	**0.43%**	**1,250,000**	**–**	[REDACTED]%
Baoshan Capital	**236,574**	**0.41%**	**1,182,870**	**–**	[REDACTED]%
Wang Jufang (王菊芳)	**145,482**	**0.25%**	**581,930**	**145,480**	[REDACTED]%
Yuanxiong Real Estate	**118,287**	**0.21%**	**473,145**	**118,290**	[REDACTED]%
Cui Hongyan (崔洪艷)	**101,837**	**0.18%**	**–**	**509,185**	[REDACTED]%
Liu Jintao (劉金濤)	**101,837**	**0.18%**	**–**	**509,185**	[REDACTED]%
Huang Haitao (黃海濤)	**72,741**	**0.13%**	**181,855**	**181,850**	[REDACTED]%
Tianjin Bo'ao	**72,740**	**0.13%**	**–**	**363,700**	[REDACTED]%
Chen Zhan (陳展)	**59,143**	**0.10%**	**295,715**	**–**	[REDACTED]%
Xu Sumin (許素敏)	**58,193**	**0.10%**	**–**	**290,965**	[REDACTED]%
Chen Jichun (陳紀春)	**43,645**	**0.08%**	**–**	**218,225**	[REDACTED]%
Luo Chun (駱純)	**43,645**	**0.08%**	**218,225**	**–**	[REDACTED]%
Song Aihui (宋愛暉)	**35,486**	**0.06%**	**88,715**	**88,715**	[REDACTED]%
Zhao Liping (趙莉萍)	**35,486**	**0.06%**	**88,715**	**88,715**	[REDACTED]%
Li Jueping (李珏萍)	**14,548**	**0.03%**	**72,740**	**–**	[REDACTED]%
Sub-total	**57,613,953**	**100%**	**168,320,915**	**119,748,850**	[REDACTED]%
Other [**REDACTED**] taking part in the [**REDACTED**]	–	–	–	[REDACTED]	[REDACTED]%
Total	**57,613,953**	**100%**	**168,320,915**	[REDACTED]	**100%**

CORPORATE STRUCTURE IMMEDIATELY BEFORE THE COMPLETION OF THE [REDACTED]

The chart below sets out the corporate structure of our Company and subsidiaries and associated company immediately before the completion of the [**REDACTED**]:



Notes:

(1) Pursuant to the AIC Agreement, the Concert Parties including Dr. Liu, Ms. Wang and Mr. Tan had been and will continue to act in concert with respect to the matters relating to the daily operations, key matters or any other matters required to be approved by the shareholders' meetings or board meetings of the Company. For details, see "— Acting in Concert Agreement" above.

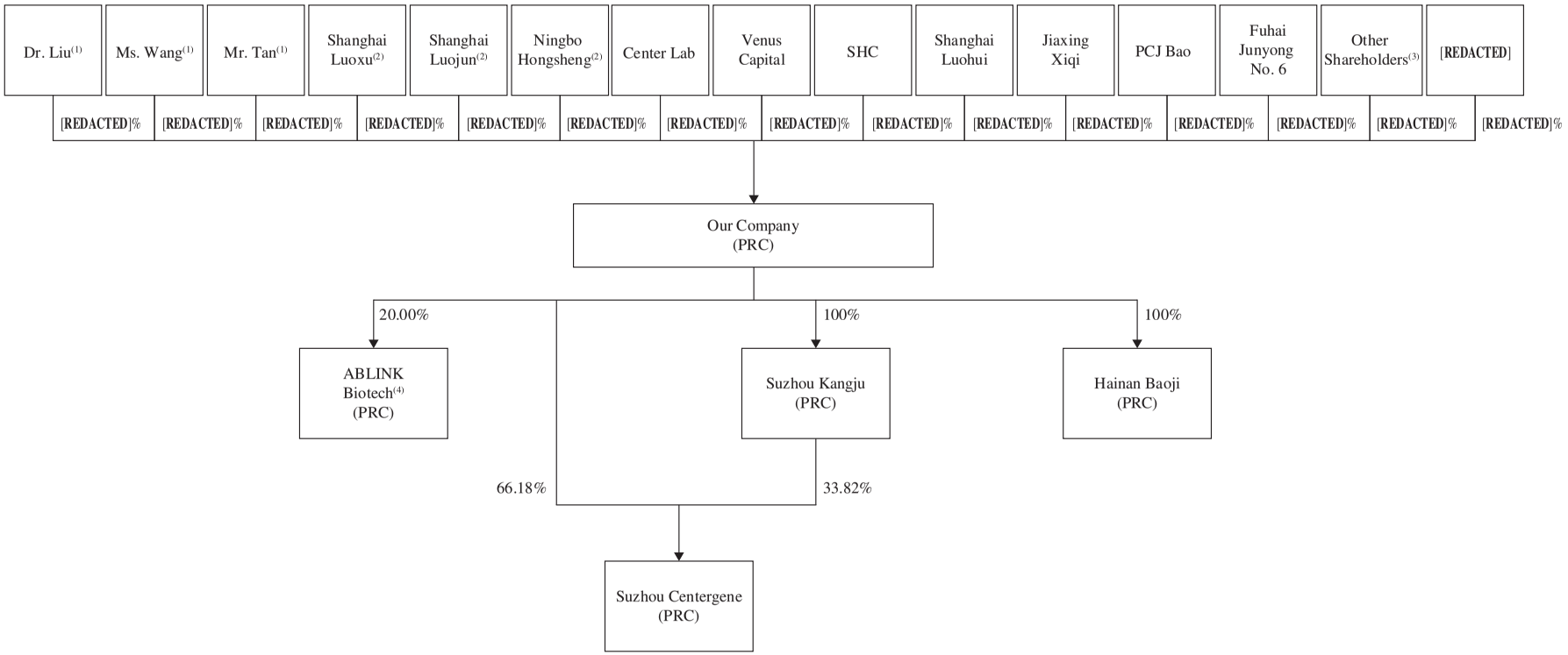
(2) Shanghai Luoxu, Shanghai Luojun and Ningbo Hongsheng are our Share Incentive Platforms, each of which is a limited partnership established under the laws of the PRC. For further details relating to our Share Incentive Platforms, see "— Share Incentive Platforms" in this section.

(3) Other Shareholders include Haitong Innovation Securities, Jinan Chanfa, Zhang Yahong (張亞紅), Shanghai Luoqun, Xiamen Youlang, Shanghai Guqing, Fan Hong (樊紅), Shanghai Cixi, Shanghai Luoyuan, Zheng Keqing (鄭可青), Nanjing United Future, Yangtze River Delta Industrial, Ningbo Longhuahui, Zheng Xiaodong (鄭效東), Fuhai Junyong No. 2, Jiaxing No. 2, Shanghai STVC Group, Shanghai Jifu, Shandong Caixin, Qingdao Yuanchuang, Yantai Duoying, Nie Miao (聶淼), Fuhai Jingxuan No. 2, Fuhai Youxuan No. 2, North Shanghai Biomedical, ROSY ELEGANT, Baoshan Capital, Wang Jufang (王菊芳), Yuanxiong Real Estate, Cui Hongyan (崔洪艷), Liu Jintao (劉金濤), Huang Haitao (黃海濤), Tianjin Bo'ao, Chen Zhan (陳展), Xu Sumin (許素敏), Chen Jichun (陳紀春), Luo Chun (駱純), Song Aihui (宋愛暉), Zhao Liping (趙莉萍), and Li Jueping (李珏萍). For background of the other Shareholders, see "— [**REDACTED**] Investments — Information about Our [**REDACTED**] Investors" above.

(4) ABLINK Biotechnology Co., Ltd. (成都盛世君聯生物技術有限公司) (**"ABLINK Biotech"**) is a limited liability company established under the laws of the PRC and is mainly engaged in discovery and optimization of macromolecular drugs. As of the Latest Practicable Date, ABLINK Biotech had five shareholders, the other four shareholders were Liu Jianghai (劉江海), Chengdu Shengshi Taikang Biotechnology Co., Ltd. (成都盛世泰康生物科技有限公司), Chengdu Feiji Enterprise Management Partnership (Limited Partnership) (成都菲濟企業管理合夥企業(有限合夥)), and Chengdu Hetong Yichuang Biotechnology Co., Ltd. (成都和同易創生物科技有限公司), holding 51.00%, 16.00%, 8.00%, and 5.00% of the share interests, each an Independent Third Party.

CORPORATE STRUCTURE IMMEDIATELY FOLLOWING THE COMPLETION OF THE [REDACTED]

The chart below sets out the corporate structure of our Company and subsidiaries and associated company immediately following the completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised):



Note: See notes (1) to (4) to the chart in "— Corporate Structure Immediately Before the Completion of the [**REDACTED**]" above.

OVERVIEW

We are a pioneer in China leveraging synthetic biology technology to develop and deliver recombinant biologic drugs that address significant clinical needs yet are difficult to produce. From our inception, we have strategically focused on creating biologic drugs that elevate treatment standards by replacing biochemically extracted products derived from animal organs, blood or urine, or otherwise upgrading the current treatments. We have established proprietary technology platforms, anchored by our unique chassis cell engineering technology, combining advanced drug design and bioprocessing capabilities. Our technology platforms enable us to achieve a leading position in developing drug candidates across four strategic therapeutic areas with a combined total addressable market size exceeding RMB50 billion by 2033 according to Frost & Sullivan: (i) large-volume subcutaneous (SC) drug delivery, (ii) antibody-mediated autoimmune conditions, (iii) drugs in assisted reproduction and (iv) recombinant biologic products as transformative alternative to traditional biochemical production.

Our drug development centers on efficiently upgrading blockbuster therapeutics with substantial market value or untapped potential, which differentiates us in the biopharmaceutical industry. By targeting the upgrades of existing therapeutics that have already achieved widespread clinical adoption, we ensure our innovations directly benefit established and expanding patient populations. We have strategically positioned our pipeline to address critical limitations of these products through our synthetic biology technology capabilities, with development priorities firmly anchored in real-world clinical demands. Such drug development strategy also enables us to swiftly translate our scientific discoveries into tangible commercial success. Further, our high efficiency is also highlighted by our exceptional clinical success rates, as we focus on enhancing clinically validated therapeutics. This value-oriented approach empowers us to consistently achieve accelerated drug development timeframe with reduced costs.

We have established commercial-scale manufacturing capabilities that enable efficient and high-quality production, while achieving cost advantages that allows us to extend our reach into additional therapeutic areas and unlock new market opportunities. For example, in the field of large-volume SC delivery, we are pursuing a "Two-Anti (referring to antibody drugs and antibiotics)" strategy to develop SC formulations for both antibody drugs and chemicals especially antibiotics, demonstrating our ability to produce not only high-end biologics but also affordable conventional medicines in wide use through SC administration. Leveraging the early-mover advantages, clinical versatility and scalable cost-efficient production of our drug candidates, we have adopted a multi-faceted business model that integrates in-house R&D with external collaborations and excipient supply. Tailoring our approach to the unique strengths of each drug candidate, we aim to achieve predictable and sustainable returns while effectively managing risks and costs.

The following chart illustrates our pipeline and summarizes the development status of our five clinical-stage drug candidates and seven selected preclinical-stage candidates as of the Latest Practicable Date:

	Candidate Drugs	Key Component	Indications	Preclinical / IND / Phase I / Phase II / Phase III / NDA	Current Status/Milestone	Commercial Rights	Partner
Subcutaneous Delivery	KJ017	Recombinant Human Hyaluronidase[1] ★	Large-volume SC Delivery	NMPA	Submitted NDA; Expect to receive NDA approval in 2025 H2	Global	
				EMA	Preclinical stage; Expect to submit IND application in 2026 H1		
	BJ007[2]	Ceftriaxone Sodium (SC Formulations)	Bacterial Infection	NMPA	Submitted IND application; Expect to receive IND approval in 2025 H1	Global	
				FDA	Prepare for IND application; Expect to submit IND application in 2025 H1		
	BJ008[2]	Cefoperazone Sodium and Sulbactam Sodium (SC Formulations)	Bacterial Infection	NMPA	Preclinical stage; Expect to submit IND application in 2026 H1	Global	
	BJ009[2]	Cefazolin Sodium (SC Formulations)	Bacterial Infection	NMPA	Preclinical stage; Expect to submit IND application in 2025 H1	Global	
	KJ015	Bispecific Anti-HER2 Antibody (SC Formulations)	Solid Tumors	NMPA	IND approved; Expect to initiate Phase I trial in 2025 H1	Global	
				FDA	Prepare for IND application; Expect to submit IND application in 2025 H1		
	Co-development of Novel Antibody SC Formulations[3]		Multiple Indications	NMPA	Approaching Phase III trial (Most clinically advanced)	Owned by partners	Multiple partners
Antibody-mediated Auto-immune Diseases	KJ103	Recombinant IgG-Degrading Enzyme ★	Desensitization before kidney transplantation	NMPA	Completed Phase II trial; Expect to initiate Phase III trial in 2025 H1; Received BTD from the NMPA in November 2024	Global	
			Pathological IgG-mediated Autoimmune Diseases	FDA	Prepare for Phase II trial IND application; Expect to submit IND application in 2026 H1		
			Anti-GBM Diseases	NMPA	Phase II trial stage; Expect to complete Phase II trial in 2025		
			GBS	NMPA (Directly enter Phase II after IND Approval)	Prepare for Phase II trial IND application; Expect to submit IND application in 2025 H1		
	BJ045	Anti-CD20 Antibody Resistant to Enzyme Degradation (SC Formulations)	Moderate-to-Severe Autoimmune Diseases	NMPA	Preclinical stage; Expect to submit IND application in 2026 H1	Global	
	BJ047	Anti-CD154 Antibody Resistant to Enzyme Degradation (SC Formulations)	Solid organ transplantation, Xenotransplantation, Autoimmune Disease (Lupus Nephritis and Multiple Sclerosis)	NMPA	Preclinical stage; Expect to submit IND application in 2026 H1	Global	
Assisted Reproduction	SJ02	Recombinant Human FSH-CTP ★	Controlled Ovarian Stimulation, Stimulating Multiple Follicular Development, Promoting Ovulation	NMPA	Submitted NDA; Expect to receive NDA approval in 2025	Ex-China	A global leader in fertility treatments
				EMA	Preclinical stage; Expect to submit IND application in 2026 H1		
	SJ04	Recombinant Human Chorionic Gonadotropin	Stimulating Follicular Maturation, Inducing Ovulation and Luteinization	NMPA	Phase I trial stage; Expect to complete Phase I trial in 2025	Global	
Synthetic Biology Upgrading Platform	KJ101	Recombinant Human Chymotrypsin	Wound Healing for Burn Injuries, Traumatic Injuries, Surgical Incision, Pressure Sores and Diabetic Foot Ulcers, etc.	NMPA	Submitted IND application; Expect to receive IND approval in 2025 H1	Global	
	BJ044	Recombinant Ulinastatin	Acute Pancreatitis, Chronic Recurrent Pancreatitis and Acute Circulatory Failure	NMPA	Preclinical stage; Expect to submit IND application in 2026 H1	Global	

★ Core Product Breakthrough Designation from the NMPA

Abbreviations: BTD = Breakthrough Therapy Designation; FSH-CTP = Follicle-stimulating hormone-carboxyl-terminal peptide; GBM = Glomerular Basement Membrane; GBS = Guillain-Barré syndrome; H1 = First Half; H2 = Second Half; IgG = Immunoglobulin G; SC = Subcutaneous.

Notes:

(1) We have completed the pharmaceutical excipient registration in China and are advancing the registration progress globally.

(2) The subcutaneous antibiotic formulation is developed based on the Chemical Drug Modification (Category 2.2) new administration route, with subsequent studies on area under the curve (AUC) equivalent and PK/PD.

(3) The clinical trials will be led by the partner, and the subsequent commercialization rights will belong entirely to the partner. As of the Latest Practicable Date, we have established formal partnerships with multiple pharmaceutical or biotechnology companies for the development of SC antibody formulations, such as Qyuns and Sumgen.

Our Core Products and other major assets are built across the following four core therapeutic areas, each addressing significant unmet medical needs with broad therapeutic applications:

Large-volume SC drug delivery

The trend towards large-volume SC drug delivery has gained widespread recognition in the pharmaceutical industry, as exemplified by the SC Drug Development & Delivery Consortium established in 2018 by over a dozen renowned multinational companies, which has been actively sharing expertise and publishing research findings in academic journals. In this field, our R&D efforts are represented by our recombinant human hyaluronidase with the potential to become the first to be approved in China. One of our Core Products, KJ017, a recombinant human hyaluronidase, enables rapid, large-volume SC delivery of various therapeutics traditionally administered intravenously (IV), improving the safety, patient convenience and potentially efficacy. To sustainably maximize clinical and commercial value of our recombinant human hyaluronidase products, we have implemented a multi-pronged strategy:

(i) *Launch of KJ017 monotherapy*. We are advancing KJ017 as a single drug towards commercial launch in China, for the facilitation of large-volume SC delivery of crystalloid solution. We have submitted a NDA for KJ017 as a single drug to the National Medical Products Administration (NMPA) in 2024 following completion of its Phase III clinical trials. In Europe, we plan to submit an IND application for KJ017 to the European Medicines Agency (EMA) in the first half of 2026.

(ii) *In-house development of SC antibody formulation*. We are also internally developing SC formulations of antibody drugs with large market potential, such as our innovative HER2-targeted bispecific antibody KJ015, anti-CD20 monoclonal antibody BJ045, and anti-CD154 monoclonal antibody BJ047.

(iii) *Partnerships with antibody drug developers*. We have established formal partnerships with multiple pharmaceutical or biotechnology companies for the development of SC antibody formulations, such as Qyuns and Sumgen. We continue to actively expand our collaboration ecosystem, with business development initiatives underway with over a dozen potential partners at various negotiation stages. Our typical collaboration model is that we continuously provide our recombinant human hyaluronidase products and technical services while our partners advance the development of SC formulation in combination with their antibody drug candidates at their costs.

(iv) *Pioneering SC antibiotics*. We are a global pioneer to develop SC formulations of widely used antibiotics. We have submitted an IND application for SC ceftriaxone sodium BJ007 to the NMPA in 2024 and are actively exploring SC cefoperazone sodium and sulbactam sodium BJ008 and SC cefazolin sodium BJ009 in preclinical studies.

Antibody-mediated autoimmune conditions

To address significant unmet needs related to a variety of antibody-mediated autoimmune conditions, we have in-house developed KJ103, an innovative IgG-degrading enzyme. It is the first and only low-immunogenic immunoglobulin G (IgG)-degrading enzyme to reach the pivotal clinical stage globally. KJ103 is designed to target and degrade IgG antibodies in the blood and tissues, thereby inhibiting pathogenic IgG-mediated immune responses that cause various immunological conditions. We are also actively exploring other drug candidates with synergistic effects within this area, including proprietary SC antibodies resistant to enzymatic degradation and immunoglobulin M (IgM)-degrading enzyme. Specifically, we are systematically exploring KJ103's therapeutic potential across multiple immune-related applications:

(i) *Organ transplantation.* KJ103 has entered into a Phase II/III trial in China for desensitizing highly human leukocyte antigen (HLA)-sensitized patients to enable kidney transplantation with its Phase II portion completed, exhibiting the potential to be the first IgG-degrading enzyme in China to fill this critical gap in transplant medicine. In November 2024, it received the Breakthrough Therapy Designation (BTD) from the NMPA for the treatment of this indication.

(ii) *Hundreds of pathogenic antibody-mediated acute autoimmune diseases*. KJ103 shows promise for treating a large number of acute autoimmune diseases caused by pathogenic autoantibodies with a huge market size. We have completed a Phase I safety and exploratory clinical trial in healthy subjects for KJ103 in New Zealand. Based on this trial, we may proceed with a subsequent clinical trial in the U.S. targeting acute autoimmune diseases caused by pathogenic IgG, as well as desensitizing highly HLA-sensitized patients. We plan to submit the Phase II trial IND application for KJ103 for the treatment of Guillain-Barré syndrome (GBS) to the U.S. Food and Drug Administration (FDA) in the first half of 2026.

We have also completed a Phase I clinical trial for KJ103 in healthy subjects in China. Leveraging the clinical data, we proceeded with the Phase II clinical trial of KJ103 for anti-glomerular basement membrane disease (anti-GBM disease) in China and have enrolled 8 out of the planned 9 to 12 subjects. We are also actively exploring its therapeutic potential in other antibody-mediated acute autoimmune diseases, and plan to submit an IND application for KJ103 to the NMPA for the treatment of GBS. KJ103 is expected to provide a safer treatment for patients with acute autoimmune disorders due to its low percentage and titer of pre-existing antibodies than the approved IgG-degrading enzyme on the market according to publicly available data.

(iii) *Combination therapy with recombinant antibodies resistant to enzymatic degradation*. Building on insights from our clinical research into KJ103, we understand it also exhibits high potential in combination use with certain antibody drugs for the treatment of various immune-related diseases. We are developing

several proprietary SC recombinant antibodies resistant to enzymatic degradation based on our Robust-Hinge platform, such as our proprietary anti-CD20 and anti-CD154 antibodies BJ045 and BJ047, both of which completed preclinical proof-of-concept, aiming to provide enhanced efficiency and accelerate onset of action.

Overall, our product portfolio in addressing antibody-mediated autoimmune conditions, including KJ103, antibodies resistant to enzyme degradation and any potential IgM-degrading enzyme, is well-positioned to tap into the emerging therapeutic fields such as xenotransplantation. In recent years, there has been significant advancement of xenotransplantation technology globally, as driven by the increasing prevalence of organ failure and shortage of human organs. Our proprietary product candidates can notably overcome the challenges of immune rejection in xenotransplantation, a key factor in the success of these procedures. Leveraging our expertise in enzyme technology and antibody development, we believe we are poised to capture a significant share of this growing market, contributing to the advancement of xenotransplantation and fulfilling underserved medical needs.

Drugs in assisted reproduction

We are developing a portfolio of innovative products designed to address key limitations of existing treatments in assisted reproduction, including SJ02 and SJ04. Our SJ02 is potentially the first long-acting recombinant human follicle-stimulating hormone (FSH) product to be approved in China. Our SJ02 can significantly reduce the treatment burden for users by reducing multiple injections to a single dose, offering enhanced convenience and compliance. We submitted the NDA for SJ02 to the NMPA in December 2023. In Europe, we plan to submit an IND application for SJ02 to the EMA in the first half of 2026.

In September 2024, we secured a landmark licensing and commercialization arrangement with Group A, a global leader in fertility treatments, for the exclusive commercial rights to SJ02 in mainland China. This partnership with a century-old pharmaceutical company renowned for its commitment to women's health not only validates our product quality but also significantly strengthens our branding recognition and potential expansion into international markets.

We have also developed SJ04, a recombinant human chorionic gonadotropin (hCG), for the use in assisted reproductive procedures to accelerate follicle maturation and induce ovulation. We obtained IND approvals from the NMPA for SJ04 in May 2024. Subsequently, we commenced a Phase I clinical trial for SJ04 in August 2024 in China.

Recombinant biologic products as transformative alternatives to traditional biochemical production

We are leveraging our synthetic biology expertise to develop innovative recombinant biologics. Our advanced biotechnology platform enables us to engineer chassis cells for the production of complex proteins that have traditionally been challenging to manufacture using conventional biochemical methods. In particular, our synthetic biology-driven processes address inefficiencies, impurities and safety risks including allergies and unknown virus contamination associated with traditional biochemical extraction methods in producing biologics. Our notable achievements in this area include KJ101, a leading recombinant human chymotrypsin created using synthetic biology in China, for which we have submitted the IND with the NMPA in November 2024, and BJ044, potentially the world's first recombinant ulinastatin developed through synthetic biology, with plans to submit an IND application for its Phase I trial to the NMPA in the first half of 2026. These recombinant biologic products offer notable advantages in safety, supply stability, and cost-efficiency, which position them to progressively replace their biochemically extracted counterparts, transforming the market landscape and capturing significant market share in China.

Our thoughtfully established pipeline demonstrate strong synergistic potential both within and across our core therapeutic areas. For instance, in the field of antibody-mediated autoimmune conditions, we are actively developing IgG-degrading enzyme and degradation-resistant antibodies, and exploring IgM-degrading enzyme, which can be integrated to develop potential combination therapies to unlock their clinical potential in cutting-edge areas, such as xenotransplantation. Another example is our BJ045 and BJ047 in SC formulations, which have linked our expertise in both large-volume SC drug delivery and addressing antibody-mediated autoimmune diseases.

We are also actively advancing the development of other new drug candidates to further enrich our pipeline utilizing our technology platforms. In addition, we are employing AI-driven drug discovery techniques to design and develop innovative therapies. Through bioinformatics tracing, we have reconstructed a uricase sequence lost during human evolution dating approximately tens of millions of years ago. Based on this sequence, we are developing a novel recombinant human uricase with low immunogenicity and suitability for repeated administration. This novel therapy is aimed to offer a more effective and sustainable treatment option for patients with severe gout, a condition with significant unmet clinical needs. Our strong research and development capabilities are evidenced by our publications in prestigious scientific journals and our robust intellectual property portfolio, which includes 16 granted patents and 66 patent applications worldwide.

We have built current Good Manufacturing Practice (cGMP)-compliant manufacturing infrastructure in Shanghai encompassing a site area of approximately 63,000 sq.m. Our existing manufacturing facilities feature cutting-edge production lines specifically designed for the manufacture of complex biological products, with specialized capabilities in recombinant protein drugs. To further expand our commercial-scale manufacturing capacity, we are constructing additional facilities in Shanghai, spanning a site area of approximately 37,000

sq.m., with completion of construction and commencement of operations anticipated by June 2026. Upon completion and operation of these new facilities, our projected total reactor volume will reach approximately 26,100L and annual production capacity will be expanded to approximately 22.5 million formulations, positioning us as a leading manufacturer with capacity to fully support the production of our self-developed drugs.

With the strong medical and commercial prospects of our pipeline assets, we are executing a global strategy and aspire to treat patients worldwide. Building on KJ017's clinical results from China trials, we plan to initiate clinical studies overseas to evaluate its effects in facilitating liquid and drug absorption, with an expected IND submission to the EMA in the first half of 2026. This initiative not only aims to pave the way for KJ017's entry into international markets, but also to strengthen our collaboration potential with global partners in developing SC formulations incorporating KJ017. We are also considering conducting clinical studies for KJ103 overseas, further broadening its market potential in acute autoimmune diseases caused by autoantibodies. Moreover, we plan to submit the IND application for SJ02 to the EMA in Europe in the first half of 2026. In parallel, we are actively pursuing collaboration opportunities with multinational pharmaceutical companies across a range of our pipeline assets, including KJ017, KJ103, KJ015, BJ045, BJ047, and novel recombinant human uricase. These efforts aim to leverage the strengths of international partners to accelerate the global development and commercialization of our pipeline assets while generating sustainable revenue streams. With a robust pipeline, differentiated technology platforms, and a proven ability to forge strategic partnerships, we are well-positioned to address the global markets and deliver sustainable growth and long-term values.

OUR COMPETITIVE STRENGTHS

Pioneering the transition from intravenous to subcutaneous drug delivery with potentially first recombinant human hyaluronidase in China

In the field of large-volume SC drug delivery, we have developed China's leading portfolio featuring recombinant human hyaluronidase, with KJ017 being our most advanced product. KJ017, one of our Core Products, is a highly glycosylated recombinant human hyaluronidase that can enable rapid, large-volume SC delivery of co-administered drugs. Unlike traditional animal-sourced hyaluronidase, which poses heightened immunogenicity risks and suffers from quality variability, KJ017's recombinant human design leverages controlled production processes and extensive glycosylation to deliver exceptional batch-to-batch uniformity, safety assurance, and reproducibility, positioning KJ017 as an ideal excipient for SC delivery systems. As of the Latest Practicable Date, it was the most advanced recombinant human hyaluronidase in China and the third globally to have reached the NDA stage or beyond, according to Frost & Sullivan. This technology offers the potential to transform the delivery methods of a wide range of therapeutics to SC administration that previously administered intravenously, thereby opening up significant new market opportunities.

IV administration, including injection and infusion, remains one of the most widely used drug delivery methods globally. However, it presents significant drawbacks in terms of safety and convenience. For instance, IV administration is associated with more than half of severe drug-related adverse events, and its relatively long administration time often leads to overcrowded outpatient and emergency clinics, increasing treatment costs for both patients and the healthcare system. In contrast, large-volume SC delivery of antibody drugs, facilitated by recombinant human hyaluronidase, could significantly reduce injection-related adverse events and shorten administration time from approximately 30-180 minutes to 2-5 minutes, improving such antibody drugs' safety, patient convenience and potentially efficacy and reducing overall treatment costs. Therefore, the transition from IV route to SC injections represents a clear and transformative trend in drug delivery globally. In the China market, this trend is also anticipated to gain momentum, as fueled by the rising prevalence of chronic diseases, cancer and autoimmune diseases, as well as pursuit of more patient-centric therapies.

Currently, only two recombinant human hyaluronidase products have been approved globally, and no recombinant human hyaluronidase has yet been approved in China. ENHANZE®, the globally first approved hyaluronidase in the U.S., has generated a significant amount in sales revenue from the combination use with certain antibody drugs alone. However, its originator typically grants exclusive rights for the co-administration of hyaluronidase products with antibody drugs on a target-specific basis. This rules out a vast number of pharmaceutical companies, including almost all in China, to develop SC formulations of their antibody drugs using these hyaluronidase products.

KJ017 as a single drug demonstrated its ability in the Phase III clinical trial to facilitate large-volume SC delivery of crystalloid solutions at rates no less than IV infusion, with favorable safety and tolerability profiles. The Phase III clinical results of KJ017 demonstrated that, at 150 international units (IU), it enabled safe and rapid SC infusion of at least 1L fluid volume. Under gravity feed infusion without pump assistance, 150 IU of KJ017 helped the crystalloid solution to achieve consistent flow rates of 545.09 – 775.00 mL/h at a single infusion site on the upper arm, thigh, or back, maintaining relatively constant rates over time. This presents an effective alternative to IV infusion, addressing clinical needs for large-volume SC infusion across different subcutaneous sites, notably, market adoption of SC formulation has been demonstrated by marketed daratumumab SC, launched in 2020, the market share of SC formulation in the US quickly grew to approximately 76% in 2021 and further increased to approximately 92% of annual sales of daratumumab in 2023, according to Frost & Sullivan. We are advancing KJ017 as a single drug toward commercialization, with its NDA submission currently under review by the NMPA.

Leveraging its first-mover advantage in China and our non-exclusive business model, KJ017 is uniquely positioned to fill the unmet need among Chinese drug manufactures, providing them with a viable option to develop SC-administered antibody drugs. Furthermore, our proprietary synthetic biology platforms allow us to achieve cost-effective, large-scale manufacturing of KJ017, ensuring broad accessibility for patients. We are actively exploring the combination use of KJ017 with modalities beyond antibody drugs, such as chemicals

especially antibiotics, further expanding its clinical and commercial value. This combination of early-mover status, broad applicability, cost advantages, and an inclusive business model positions KJ017 as a transformative player in the growing SC drug delivery market.

Within the expanding antibody drug market, the market of recombinant human hyaluronidase combined with antibodies in China is expected to grow to RMB1,028.0 million in 2028 and RMB3,200.9 million in 2033. We aim to capture this tremendous opportunity through a dual strategy of partnerships and self-development:

- As one of the top three most clinically advanced recombinant human hyaluronidase worldwide, we have established formal partnerships with multiple pharmaceutical companies to develop SC formulations of antibody drugs, including Qyuns and Sumgen. Under these collaborations, we will continuously provide our recombinant human hyaluronidase products and technical services throughout the development and commercial stages, and our partners will drive the development of the formulation in combination with their antibody drug candidates and bear related costs. These collaborations amplify the clinical utility of our recombinant human hyaluronidase across diverse therapeutic areas while allowing us to manage risks effectively, and provide a steady and scalable revenue stream for us through relevant income. As of the Latest Practicable Date, two programs under our existing collaborations have advanced into Phase II or III stage. We anticipate additional milestone payments as more programs progress, and expect to generate substantial revenue from supplying our KJ017 to the collaborators once these partner-developed drugs receive approval. Furthermore, we are actively pursuing additional partnerships to further expand our reach and impact in China and international markets.

- In addition to our collaboration arrangements, we are also internally developing SC formulations of antibody drugs with large market potential, such as our innovative HER2-targeted bispecific antibody KJ015, anti-CD20 monoclonal antibody BJ045, and anti-CD154 monoclonal antibody BJ047. These SC formulations are designed to offer safer and more convenient alternatives to existing IV options, positioning us to capture market opportunities in the huge and growing markets in those drugs that have proven to be effective by IV administration.

Beyond antibody drugs, we are at the forefront of developing SC formulations of chemicals especially antibiotics, addressing a long-standing challenge in the administration of these essential and widely-used medicines. While over 200 antibiotic drugs are currently available on the global market, IV or small-volume SC administration of antibiotics is often associated with safety issues in relation to high possibility of site injection reactions. Given the challenges associated with oral formulations, including their propensity to induce drug resistance and disrupt the gut microbiome, large-volume SC delivery offers the potential to provide a safer and more convenient delivery route for these widely used drugs. According to Frost & Sullivan. China's market for recombinant human hyaluronidase combined with antibiotics is expected to reach to RMB247.7 million in 2028 and RMB2,762.4 million in 2033.

Recognizing this significant opportunity, we have filed an IND application for SC formulation of ceftriaxone sodium (BJ007) with the NMPA in December 2024, and expect to receive the corresponding approval in the first half of 2025. In addition to ceftriaxone sodium, we are also planning to develop SC formulations for other widely used antibiotics, including cefoperazone sodium and sulbactam sodium (BJ008) and cefazolin sodium (BJ009). Given the significant cost advantages of our platforms, we believe we are uniquely positioned to develop SC formulations for commonly used, cost-effective chemicals especially antibiotics, ensuring broad accessibility while maintaining commercial scalability.

Focused autoimmune pipeline anchored by world's first low-immunogenic IgG-degrading enzyme to reach pivotal stage, potentially addressing hundreds of antibody-mediated acute autoimmune conditions caused by pathogenic IgG autoantibodies

KJ103, one of our Core Products, is an innovative IgG-degrading enzyme, specifically designed for the treatment of a multitude of immunological diseases and conditions driven by the activity of pathogenic IgG. According to Frost & Sullivan, KJ103 is the first and only low-immunogenic IgG-degrading enzyme to reach pivotal stage in the world. We have completed the Phase II portion of a Phase II/III trial of KJ103 as desensitization therapy in highly HLA-sensitized patients awaiting kidney transplantation in China, and expect to enroll the first subject in the Phase III portion in the first half of 2025. Notably, KJ103 received the BTD from the NMPA for the treatment of this indication in November 2024.

KJ103 is engineered to efficiently cleave and degrade pathogenic IgG antibodies that are responsible for various acute immune-mediated diseases. By targeting specific regions of the IgG molecule, KJ103 effectively deactivates the antibody effector functions, thereby inhibiting excessive or adverse immune reaction. This precise modulation of IgG levels gives KJ103 an edge for its broad therapeutical applications associated with aberrant antibody activity, particularly in terms of organ transplant desensitization, antibody-mediated acute autoimmune diseases, and combination therapy with recombinant antibodies resistant to enzymatic degradation.

- ***Desensitization in kidney transplantation and beyond***: KJ103 represents a promising drug candidate for desensitization therapy before kidney transplant, especially in patients with high levels of sensitization and pre-existing human HLA antibodies, the common immunological barriers to transplant success. By rapidly degrading circulating IgG antibodies, KJ103 inhibits IgG-mediated immune responses and reduces the risk of hyperacute rejection, a severe and immediate form of rejection that occur when such antibodies are present. KJ103 is expected to enter into the Phase III portion of a Phase II/III trial in China for desensitizing highly HLA-sensitized patients to enable kidney transplantation in the first half of 2025. Its Phase I clinical trial results demonstrated that KJ103 is effective, safe and well-tolerated in healthy subjects, providing a therapeutic window. Its Phase II trial results further reinforced the promising efficacy and safety profiles of KJ103, where the candidate has shown to rapidly and effectively reduce or eliminate both HLA-I and HLA-II antibodies following administration, achieving a 100% success rate in

desensitization treatment within 24 hours. No antibody-mediated rejection was reported at 6 to 12 months post-transplantation, and the survival rate of transplant recipients remained at 100% for over six months.

Given its ability to degrade all subclasses of IgG, KJ103 has the potential to expand into other organ transplantation indications, including xenotransplantation. In an investigator-initiated trial, following injection of KJ103 into a rhesus monkey (on the day when this monkey was in life-threatening condition) who received a xenogeneic pig kidney transplant, KJ103 was observed to rapidly address antibody-mediated rejection and kidney function impairment. This monkey's extended survival ultimately reached a duration after the injection of KJ103 that surpassed all previous records of xenotransplantation in China.

Overall, KJ103 holds great promise as an invaluable tool to improve transplant compatibility and patient outcomes, particularly for highly sensitized individuals. The numbers of kidney transplantation operations globally and in China were approximately 90.3 thousand and 10.8 thousand in 2017, respectively, which increased to 102.0 thousand and 12.7 thousand in 2022, respectively. According to Frost & Sullivan, the market size of IgG-degrading enzyme targets kidney transplantation is forecast to reach RMB1,186.6 million in China and US$800.4 million globally in 2033. As the first pivotal-stage therapy in China to bridge this critical gap in transplant medicine, KJ103 has garnered strong endorsements from KOLs in the field, underscoring its potential for commercial success.

- ***Hundreds of antibody-mediated acute autoimmune diseases***: By degrading pathogenic IgG autoantibodies in the blood and tissue, KJ103 can inhibit the activation of immune responses and mitigating inflammation, potentially offering a more targeted and less toxic alternative to traditional broad-spectrum immunosuppressants in the treatment of autoimmune diseases. With its IgG-degrading mechanism and low immunogenicity, KJ103 offers a versatile treatment option across hundreds of antibody-mediated autoimmune indications. We believe that we are well-positioned to capitalize on the market for substantial unmet clinical needs of antibody-mediated acute autoimmune diseases.

  We are currently investigating the therapeutic potential of KJ103 in a wide range of pathological IgG-mediated autoimmune diseases across different stages of preclinical studies and clinical trials. In particular, we are conducting a Phase II trial for KJ103 for the treatment of anti-GBM disease in China and have enrolled 8 out of the planned 9 to 12 subjects. As of the Latest Practicable Date, there were no approved drugs addressing this indication globally. Additionally, we completed a Phase I trial targeting a broad category of autoimmune diseases caused by pathogenic IgG approved in New Zealand in March 2023. For the treatment of GBS, we plan to submit IND applications for the Phase II trial of KJ103 to the NMPA in the first half of 2025 and the FDA in the first half of 2026.

The Phase I clinical results of KJ103 revealed its superior efficacy and safety results compared to Hansa Biopharma's Idefirix®. The high pre-existing antibody proportion and titer of Idefirix® narrow its patient base and can trigger hypersensitivity reactions. These factors restrict Idefirix® to a single-dose administration, while the pathogenic IgG levels associated with autoimmune diseases will quickly rebound after treatment. In contrast, KJ103 exhibits lower pre-existing antibody proportion and titer with no hypersensitivity reactions observed during the trial. The trial results also revealed that KJ103 can rapidly reduce IgG levels and maintain a sustained effect. For example, in treating anti-GBM disease, Idefirix® can maintain a low level of pathogenic IgG for 3 days, whereas KJ103 can maintain such a low level for about two weeks, both in one intervention. Although the foregoing clinical trial data were generated in independent studies and do not come from head-to-head analysis, we believe meaningful insight may be drawn that KJ103 demonstrates superior potential in treating a number of antibody-mediated acute autoimmune diseases with rapid and sustained reduction of IgG levels.

- ***Combination therapy with recombinant antibodies resistant to enzymatic degradation***: We are actively exploring the combination therapy integrating KJ103 and antibody drugs for the treatment of various autoimmune disorders driven by pathogenic autoantibodies, such as pemphigus vulgaris and myasthenic crisis, aiming to provide enhanced efficacy and accelerated onset of action. This approach notably harnesses the combined strengths of different treatment modalities and targets multiple layers of autoimmune pathology, potentially offering a novel, more effective strategy for managing these chronic, progressive diseases. In this context, we are developing several proprietary SC recombinant antibodies resistant to enzymatic degradation by KJ103 with our Robust-Hinge platform, such as anti-CD20 and anti-CD154 antibodies BJ045 and BJ047, both have achieved preclinical proof-of-concept.

Assisted reproductive portfolio features potentially first recombinant long-acting human follicle-stimulating hormone in China, validated by our partnership with a global leader in fertility treatments

We are advancing several innovative therapies designed to overcome current limitations of existing treatments in assisted reproduction, with one of our Core Products, SJ02, at the forefront. SJ02 is a long-acting recombinant human follicle-stimulating hormone carboxyl-terminal peptide fusion protein (FSH-CTP) designed for controlled ovarian stimulation (COS) in combination with a gonadotropin-releasing hormone (GnRH) antagonist. We made the NDA submission for SJ02 to the NMPA in December 2023 and expect to receive the corresponding approval in 2025. As the first long-acting FSH-CTP to reach this stage in China, SJ02 may potentially become the first long-acting FSH-CTP to be launched in China.

According to Frost & Sullivan, the market size of FSH products in China reached RMB3.2 billion in 2023, and is projected to reach RMB6.9 billion by 2028, reflecting a CAGR of 16.8% from 2023 to 2028 and is further expected to RMB10.7 billion in 2033 at a CAGR of 9.1% from 2028 to 2033. Currently, all available FSH products in China are short-acting, requiring daily injections for 10-14 days during treatment cycles. In contrast, SJ02 provides extended therapeutic coverage with a duration of action lasting seven days, significantly reducing the treatment burden while improving convenience and compliance. Its pre-filled syringe format further enhances patient experience by offering better convenience and hygiene. Given these advantages, long-acting FSH, such as SJ02, is expected to partially replace short-acting products in China.

To accelerate SJ02's market entry and maximize its potential in China, we reached collaboration with Group A, a global leader in fertility treatments, in September 2024. Under our license and commercialization agreement with Group A, it will be granted an exclusive license to develop, manufacture and commercialize SJ02 for the fertility treatment in China, and in return, we are entitled to upfront and milestone payments totaling up to US$182 million, along with ten percent sales royalties. Meanwhile, in recognition of our robust manufacturing capabilities, Group A also entered into a separate manufacturing and supply agreement with us, pursuant to which we will remain responsible for the manufacture and supply of, and Group A shall purchase from us, SJ02 to be commercialized in China. This partnership is expected to provide us with foreseeable and sustainable revenue streams, not only from the considerations received under such landmark out-license deal, but also the potential recurring income from our continued supply of SJ02 upon its commercialization. See "— Collaboration Agreements — License and Commercialization Agreement with Group A" for details. More importantly, it allows us to leverage the abundant expertise and resources of Group A in reproductive medicine to navigate China's rapidly growing fertility segment.

With its advanced development stage, favorable product profile, and the backing of this strategic partnership, SJ02 is well-positioned to spearhead the shift from short-acting to long-acting FSH products in China and capture a substantial share in this growing market. Leveraging this partnership with such a well-established global pharmaceutical leader in women's health, we are able to reinforce our product credibility around the world and drive our potential international market penetration, especially in overseas emerging markets.

Breakthroughs in recombinant biologic drug development using synthetic biology, offering a potential transformative alternative to biochemically extracted products and unlocking substantial market potential

Synthetic biology is a transformative approach in the field of drug development that allows for the targeted design and engineering of organisms to produce specific compounds in a more controlled and efficient manner. The core idea of synthetic biology is to utilize organisms as "cellular factories" to synthesize complex proteins with high biosafety profile in a high-quality, low-cost, and sustainable manner that were previously extracted through laborious or less sustainable methods. The contained nature of biosynthetic processes significantly reduces exposure to hazardous reagents and byproducts, enhancing both

operational safety and product purity profiles. In addition, synthetic biology can facilitate the production of entirely new therapeutic compounds that do not exist in nature, thereby expanding the range of available drugs. The paradigm shift from biochemical extraction to synthetic biology not only addresses the limitations typically associated with traditional extraction methods, such as low purity, inconsistent quality, and unstable supply of raw materials, but also provides a solution for green, low-carbon, and environmentally friendly production of drugs that would otherwise be challenging to chemically synthesize or naturally extract.

Utilizing our proprietary synthetic biology technology platform, we specialize in engineering chassis cells, including mammalian, yeast, and Escherichia coli (*E. coli*) cells, to produce complex proteins that are difficult to produce using genetic engineering methods. Over the past three years, we have produced recombinant protein drugs using synthetic biology techniques, namely SJ02, KJ017, SJ04 and KJ101. Our product pipeline also includes other preclinical asset that utilize the same approach, namely BJ044.

- **KJ101**. KJ101 is a leading recombinant human chymotrypsin developed through synthetic biology in China. We have filed an IND application for KJ101 with the NMPA in November 2024, and expect to receive the corresponding approval in the first half of 2025. Chymotrypsin has exhibited a wide range of clinical applications, particularly in wound healing for burn injuries, traumatic injuries, surgical incision, pressure sores and diabetic foot ulcers, among others. Chymotrypsin, a proteolytic enzyme, has historically been extracted from bovine pancreas tissue, which poses challenges such as low yield, potential contamination and religious or ethical concerns. Built upon our proprietary green recombinant yeast fermentation technology, KJ101 provides a pure, safer and more scalable alternative with high expression levels. Furthermore, KJ101 offers superior biosafety profile, effectively addressing the viral contamination concerns inherent in biochemically extracted counterparts. In consideration of its competitive advantages, we believe KJ101 can potentially reshape the current therapeutic landscape and secure a substantial market share in China.

- **BJ044**. BJ044 is potentially the first recombinant ulinastatin developed through synthetic biology globally. We expect to submit an IND application for BJ044 to the NMPA in the first half of 2026. Ulinastatin can be extensively used in clinical settings, including the management of acute pancreatitis, sepsis, severe systemic inflammatory response syndrome (SIRS), acute respiratory distress syndrome (ARDS), acute circulatory failure, and various other conditions characterized by excessive inflammation or proteolytic activity. The recombinant form of ulinastatin, such as BJ044, are designed to overcome limitations typically associated with traditional animal-derived sources, offering a more consistent and efficient production method. Recombinant technology utilized by BJ044 also allows for larger-scale production, minimizing the risk of contamination and improving safety profiles in clinical use.

Advanced technology platforms with commercial-scale manufacturing capabilities, ensuring cost efficiency and reinforcing our early-mover advantage

Leveraging our strengths in synthetic biology technology, we have had the foresight to build fully integrated in-house R&D and manufacturing capabilities. To date, we operate three technology platforms spanning across drug design, chassis cell engineering, and comprehensive bioprocessing, which allow us to navigate the intricate processes of bringing our transformative recombinant protein drugs from bench to bedside. Our robust R&D capabilities are validated by a well-structured global patent portfolio relating to our proprietary products and/or technologies. See "— Intellectual Property" for details. Additionally, our proprietary products and/or technologies have been featured in certain publications in prominent scientific journals including, among others, mAbs and Gene Therapy. Our R&D capabilities have been complemented by a scalable, commercial-scale manufacturing capacity, which collectively contribute to the streamlined drug development process, reduced production costs, and consistent, high-quality product output. We have built cGMP-compliant manufacturing facilities in Shanghai which meet both pilot- and commercial-scale production demands for our selected drug candidates, and we are constructing additional manufacturing facilities to further upgrade our production capacity. Upon completion and operation of such new manufacturing facilities, we anticipate that our annual production capacity will be elevated to a level capable of fully supporting the production needs of our self-developed drugs and excipients. We believe this seamless integration of established R&D and manufacturing capabilities has positioned us to efficiently advance our drug candidates, maintain flexibility in adapting to growing market demands, and further solidify our early-mover advantage in our focused areas.

Specifically, our three technology platforms consist of:

- ***Drug Design Platform:*** Our approach to drug design centers on developing customized delivery systems and formulations that align with the unique properties of the drug and specific needs of the target patient population. We prioritize immunogenicity, molecular stability, and cost-effective production in drug development. Leveraging AI-powered models, we integrate advanced computational simulations with rigorous experimental validation to achieve precise protein engineering and functional optimization. Data generated from wet-lab experiments is continuously fed back into our models to refine and enhance their performance, thereby fostering an iterative and adaptive design process. As a testament to our advanced drug design platform, we have specifically developed KJ103, one of our Core Products composed of complex enzymes with exceptional stability and functionality.

- ***Chassis Cell Engineering Platform:*** Our chassis cell engineering platform focuses on glycosylation modification and advanced expression technologies. Drawing on our extensive expertise in enzyme engineering, glycoengineering, and synthetic biology, we have achieved key breakthroughs in various fields, such as the

regulation of protein translation and post-translational modifications for recombinant human hyaluronidase, Chinese Hamsters Ovary (CHO) cell glycosylation engineering, and protein high-expression technologies.

We adopt a multidisciplinary approach across three major biopharmaceutical host systems — including *E. coli*, *Pichia pastoris*, and CHO cell systems—to design bioparts, engineer metabolic pathways, and screen drug proteins from modified hosts. This approach allows us to express proteins in the most suitable host based on the structural and functional requirements of specific drug protein, thereby significantly shortening the development cycle for novel therapeutics.

In particular, we have developed a CHO cell library with engineered glycosyltransferases to produce humanized glycoproteins with enhanced structural uniformity. This notably reduces immunogenicity, extends half-life, and improves therapeutic efficacy. Additionally, our *Pichia pastoris* cell library features expression chaperones and optimized hosts ready for immediate use in new project process research, which streamlines our drug production and accelerates project timelines.

- ***Comprehensive Bioprocessing Platform:*** Our comprehensive bioprocessing platform integrates mammalian, yeast, and bacteria expression systems to support large-scale, efficient, and sustainable production of our recombinant protein drugs. We optimize production processes and equipment with a focus on environmental sustainability. By integrating high-yield strains or cells, optimized culture processes, and advanced purification technologies, we achieve scalable manufacturing capabilities with a green manufacturing edge.

  This platform tackles key technical challenges including, without limitation: (i) enhancing recombinant protein expression and addressing protein degradation in fermentation through synthetic biology and genetic engineering, thereby providing an upstream solution for efficient recombinant protein production; (ii) employing diverse fermentation strategies to overcome issues such as toxic byproduct accumulation, protein misfolding, and low activity during rapid cell growth, enabling stable, high-efficiency expression of target proteins using high-density synthetic biology techniques; (iii) combining different chromatographic separation techniques and utilizing customized resins to develop scalable, cost-effective processes for high-purity recombinant protein preparation; and (iv) improving volumetric productivity and developing resource-efficient, low-energy green manufacturing solutions to meet the demands of commercial-scale recombinant protein production.

Beyond our proprietary platform technologies, we boast commercial-scale manufacturing capabilities and rigorous quality control and assurance systems, which enable us to efficiently scale up production to accommodate the escalating demands of our drug candidates upon commercialization, while ensuring exceptional quality and cost-effectiveness.

We have established cGMP-compliant manufacturing facilities in Shanghai capable of supplying both pilot- and commercial-scale demands for our selected drug candidates, including KJ017, SJ02, KJ103, SJ04, KJ015 and KJ101. The existing manufacturing facilities span a site area of 63,000 sq.m. and are fully equipped with advanced production lines capable of manufacturing complex biological products, particularly recombinant enzymes. To further upgrade our pilot- and commercial-scale manufacturing capacity, we are also constructing new manufacturing facilities in Shanghai with a site area of approximately 37,000 sq.m., which we expect to complete and put into operation by June 2026. Upon completion and operation of such new manufacturing facilities, we anticipate that our total reactor volume will be elevated to approximately 26,100L solutions and our annual production capacity will reach approximately 22.5 million formulations. Our industrial-scale manufacturing capabilities ensure a stable and consistent supply for our drug candidates once commercialized, while enabling us to achieve cost advantages, expand market share and drive profitability.

Despite the inherent challenges of recombinant protein expression and scale-up production, we have established a comprehensive and robust quality control systems designed for commercial-scale operations. These systems ensure the consistent production of high-quality products at scale, meeting rigorous regulatory standards. For details, see "— Quality Control and Assurance." With our established manufacturing capabilities and quality control systems, we have obtained the requisite drug manufacturing licenses for producing our in-house developed drug products near commercialization stage as well as providing contract manufacturing services.

A visionary management team with extensive industry experience and multidisciplinary expertise

Guided by our visionary co-founders, Dr. Liu Yanjun and Ms. Wang Zheng, we have built a leadership team with multi-disciplinary expertise and abundant industry experiences. Their collective knowledge and strategic vision enable us to adeptly navigate the intersection of synthetic biology and biotechnology and consistently deliver results.

Dr. Liu Yanjun, our co-founder, chairman of the Board, and an executive Director, is a highly respected scientist and serial entrepreneur with over 30 years of experience spanning the pharmaceutical industry, academic research and clinical practice. Dr. Liu gained profound insights into clinical needs through over a decade of medical practice as a physician specializing in hepatobiliary surgery and tumor immunology. He conducted clinical research under the guidance of Professor Mengchao Wu, a renowned hepatobiliary surgeon and academician of the Chinese Academy of Sciences, and later served as a visiting scholar at the Sidney Kimmel Cancer Center in California, the U.S. Transitioning to the pharmaceutical

industry, Dr. Liu became one of China's pioneering leaders in biopharmaceutical research and development. He has over 20 years of experience in the R&D of innovative drugs, holding senior leadership roles, including vice president at Shanghai Pharmaceuticals Holding Co., Ltd. ("**Shanghai Pharma**"), a dual-listed company in Shanghai and Hong Kong, and president at its Central Research Institution. Dr. Liu's entrepreneurial ventures further demonstrate his expertise. He served as the deputy general manager of Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd., and later founded and chaired Shanghai Jiaolian Medicine Research and Development Co., Ltd., which was subsequently acquired by Shanghai Pharma. Throughout his career, Dr. Liu has published over 30 articles in peer-reviewed journals, and is the inventor or applicant of more than 50 patents and patent applications. His contributions to the field have been recognized with the prestigious State Council Special Allowance.

Ms. Wang Zheng, our co-founder, executive Director and Chief Executive Officer, brings us over 20 years of experience in gene-engineering drug development, with deep expertise in recombinant protein drug R&D. She has led numerous national, provincial, and municipal scientific research projects and holds 14 invention patents. Her extensive R&D work has resulted in nearly 10 commercialization or IND approvals for innovative drugs. During almost 10 years, she served as a new drug development project manager at Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co, Ltd., and deeply involved in innovative drug design and development. She contributed to breakthroughs in recombinant protein drug technologies, successfully led the R&D of nearly ten monoclonal antibody drugs, and facilitated the transfer of self-developed drug rights to a major pharmaceutical company. In 2011, Ms. Wang founded Suzhou Kangju, which was later acquired by our Company. Under her leadership, Suzhou Kangju developed three cutting-edge technology platforms that now play a critical role in our proprietary technologies, producing multiple pipeline drug candidates. Additionally, Suzhou Kangju provided contract research organization (CRO) services to leading domestic pharmaceutical companies, further underscoring Ms. Wang's R&D acumen and Suzhou Kangju's capabilities.

We believe that our talent is critical for the continued success of our Company. Our management team possesses rich industry experiences and complementary backgrounds, spanning research and development, manufacturing, and business development. As of September 30, 2024, our broader R&D team, which comprised drug discovery and preclinical development, medical and clinical development, CMC, quality management, and regulatory affairs personnel, consisted of an aggregate of 223 personnel, accounting for 71.7% of our total workforce.

We are also backed by multiple leading healthcare institutional investors, such as SHC, Shanghai STVC Group, Oriental Fortune Capital, and Fangyuan Capital. These shareholders provide us with industry expertise and vital connections to the pharmaceutical sector in China and worldwide.

OUR STRATEGIES

Accelerate development of our pipeline candidates in core therapeutic areas, unleashing clinical and commercial value

We plan to accelerate the development of our pipeline candidates, with the goal to secure regulatory approvals, expand indications and broaden application areas. We will continue to advance our clinical and preclinical assets in the four core areas, namely (i) large-volume SC drug delivery, (ii) antibody-mediated autoimmune conditions, (iii) drugs used in assisted reproduction, and (iv) recombinant biologic products as transformative alternative to traditional biochemical production.

Expand the use of recombinant human hyaluronidase in diverse formulations

We are actively expanding the applications of our large-volume SC delivery system anchored by our KJ017 across multiple therapeutic contexts. We have completed the Phase III clinical trial and NDA submission for KJ017 in China, with an anticipated commercial launch of KJ017 as a single drug in the second half of 2025. With the positive efficacy and safety profile established in clinical studies, we are now exploring our hyaluronidase products' potential in developing SC formulations with antibody drugs, chemicals especially antibiotics, and other currently IV administered drugs. We also plan to conduct necessary clinical trials of KJ017 overseas to extend our market reach, with an expected IND submission to the EMA in the first half of 2026.

- *SC formulation of antibody drugs*: Based on our recombinant human hyaluronidase, we are developing several proprietary antibody SC formulations, including an innovative HER2-targeted bispecific antibody, KJ015, and two antibody drugs resistant to enzymatic degradation, namely BJ045, an anti-CD20 antibody, and BJ047, an anti-CD154 antibody. We received IND approval for KJ015 from the NMPA in December 2024 and plan to initiate the Phase I clinical trial in China in the first half of 2025. In addition to in-house development, we have established formal partnerships with multiple pharmaceutical and biotechnology companies to develop SC antibody drug formulations, and will continue to pursue more collaboration opportunities for KJ017 in this area.

- *SC formulation of antibiotics*: We are currently developing SC formulations of ceftriaxone sodium (BJ007), cefoperazone sodium and sulbactam sodium (BJ008), and cefazolin sodium (BJ009). We submitted the IND application to the NMPA for BJ007 in December 2024, with anticipated approval in the first half of 2025. Meanwhile, we plan to submit IND applications for BJ007 in the U.S. during the first half of 2025. We are also preparing IND applications for BJ008 and BJ009. We aim to launch the world's first SC administered antibiotic drug within the next three years.

Unlock the full clinical potential of IgG-degrading enzyme in various autoimmune conditions

We intend to also stay focused on treatment for antibody-mediated autoimmune conditions by continually unlocking the cross-therapeutic clinical potential of our Core Product KJ103, a recombinant IgG-degrading enzyme. We are strategically facilitating a range of clinical programs for KJ103 in China and globally to expand its indications across organ transplant immunosuppression and autoimmune diseases. Meanwhile, we are also developing several recombinant antibodies resistant to enzymatic degradation with our Robust-Hinge platform for combination use with KJ103.

- *Organ transplant immunosuppression*: We are currently advancing the Phase II/III trial of KJ103 in highly sensitized patients awaiting kidney transplantation in China, with its Phase II portion completed in September 2024 and the first subject for Phase III expected to be dosed in the first half of 2025. We completed the Phase I trial in China and New Zealand both in March 2023. We are also actively exploring the clinical potential of our KJ103 into other organ transplantation indications, including for xenotransplantation.

- *Autoimmune conditions*: We expect to further evaluate and develop KJ103 for the treatment of various acute autoimmune conditions, including anti-GBM disease and GBS. For anti-GBM disease, we will advance the Phase II and III clinical trials of KJ103 towards NDA submission in China pursuant to the IND approval received in August 2024. For GBS, we plan to submit IND applications for a Phase II trial KJ103 to the NMPA in the first half of 2025 and to the FDA in the first half of 2026, respectively. In the field of antibody-mediated autoimmune disorders, we will also actively pursue the development of IgM-degrading enzymes.

- *Recombinant antibodies resistant to enzymatic degradation*. We are developing several recombinant antibodies resistant to enzymatic degradation for combination use with KJ103, such as anti-CD20 (BJ045) and anti-CD154 antibodies (BJ047).

Enhance assisted reproductive portfolio

We will continue to develop our clinical assets in the area of drugs used in assisted reproduction. For SJ02, we are currently accelerating its market entry in China and its clinical development globally. Following the completion of its Phase II/III clinical trial in China in December 2022, we filed the NDA for SJ02 with the NMPA in December 2023, which was accepted in January 2024. We expect to receive the corresponding approval in 2025. We also intend to submit the IND application for SJ02 to the EMA in Europe in the first half of 2026. Notably, we have established exclusive license and commercialization arrangement with Group A in China. Furthermore, we plan to drive forward clinical development of SJ02 in various overseas emerging markets. For SJ04, we intend to expedite its clinical development in China. We commenced the Phase I clinical trial for SJ04 in China in August 2024, and plan to complete this trial in 2025.

Advance recombinant biologic products as transformative alternative to biochemical production

As to our current portfolio of recombinant biologic drug candidates as transformative alternatives to biochemically extracted drugs, for KJ101, we have filed the IND application to the NMPA and expect to receive the IND approval in the first half of 2025. For BJ044, we plan to file the IND application to the NMPA in the first half of 2026.

Continue to expand our pipeline with significant clinical needs

We will continue to stay focused on the development of innovative drug candidates. We plan to enrich our current pipeline, continuously rolling out high-value candidates primarily in the current four focused areas and by exploring other therapeutic fields with significant clinical needs, underpinned by our advanced technology platforms and commercial-scale manufacturing capabilities. To lay a solid foundation for our drug discovery, we will optimize our synthetic biology technology platforms and deepen our own research into synthetic biology, specifically its application in chassis cell engineering. We plan to further design and develop innovative therapies by continuously incorporating AI-driven techniques into our technology platforms, with the aim to deliver next-generation biologics on an industrial scale. For example, we will continue the development of our novel recombinant human uricase with low immunogenicity, the sequence of which was reconstructed through our bioinformatics tracing. Our integrated capabilities allow us to rapidly bring these novel therapies to market and ensure a stable large-scale supply to meet market demands, establishing our early-mover advantages.

Advance our multi-faceted business model combining self-development, collaboration and excipient supply, and pursue and strengthen strategic partnership with pharmaceutical companies over the world

We adopt a multi-faceted business model that integrates independent development, collaborative partnerships, and excipient supply. This business model enables us to tailor our development and commercialization strategies to specific clinical demands and product candidates, unlocking the full potential of our pipeline.

Leveraging the unique strengths of our pipeline candidates, we collaborate closely with our partners to co-develop combination therapies incorporating our candidates under the arrangements aligned with their needs and goals. By helping our partners to enhance the therapeutic effects and expand the market potential of their therapies, we aim to foster long-term collaboration with them, while maximizing the commercial values of our assets. In addition, we actively seek to reach and expand strategic relationships with international and domestic leading pharmaceutical companies to advance the global development and commercialization of our pipeline assets.

In the long term, as our revenue continues to grow steadily and our market reach expands, we may also opt to gradually establish in-house sales and marketing force in line with the launch timelines of our products. For example, recognizing the specialized nature of KJ103, we will adopt a focused commercialization strategy with an in-house specialty sales force targeting fewer than 100 key hospitals.

Enhance industrial commercial-scale manufacturing capabilities and quality management

We are committed to strengthening our large-scale manufacturing capabilities as our pipeline products progress through development and commercialization. Specifically, we will continue to scale up our manufacturing capacity and upgrade our production lines to ensure sufficient supply of our products to meet the market demands. By optimizing our industrial-scale manufacturing capabilities through the introduction and upgrade of manufacturing platforms, we expect to maintain effective cost control, thereby maintaining pricing flexibility and securing product competitiveness. In addition, the scale-up production of recombinant proteins, with its high technical barriers, demands rigorous quality management. We will continue to enhance our quality management systems for commercial-scale manufacturing to align with international standards.

We are currently advancing the construction of our second manufacturing facility, with operations expected to commence by June 2026. As planned and approved by the local authority, our second manufacturing facility will cover a site area of 37,000 sq.m. Once completed, this new facility, alongside our existing manufacturing site, will prepare us for the clinical and commercial-scale production of multiple pipeline products, and will elevate our total reactor volume to approximately 26,100L and will ramp up our annual production capacity to approximately 22.5 million formulations.

Attract, train and retain high-caliber talent

We will continue to implement a comprehensive talent strategy that integrates recruitment, retention and development to maintain our competitive edge in the rapidly evolving industry. We plan to continue actively recruiting outstanding professionals in drug discovery, particularly those with expertise in drug design techniques. We also intend to attract and develop top-tier talent with extensive overseas market knowledge in CMC, regulatory affairs and business development, to drive our expansion into overseas markets and strengthen our global presence. Through our training and career development programs, we plan to continuously enhance our employees' technical capabilities and industry expertise. Additionally, we will continue to optimize our employee incentive policies and mechanisms to drive the long-term growth of our business.

OUR DRUG CANDIDATES

We currently focus on developing drug candidates across four strategic therapeutic areas: (i) large-volume SC drug delivery, (ii) antibody-mediated autoimmune conditions, (iii) drugs used in assisted reproduction, and (iv) other recombinant biologic products as transformative alternative to traditional biochemical production. As of the Latest Practicable Date, leveraging our proprietary synthetic biology technology platforms, we had established a pipeline of five clinical-stage drug candidates, including KJ017, KJ103, SJ02, KJ015 and SJ04, and seven preclinical assets, including BJ007, BJ008, BJ009, BJ045, BJ047, KJ101 and BJ044. The following pipeline chart summarizes the development status of our clinical-stage drug candidates and selected pre-clinical drug candidates as of the Latest Practicable Date:

	Candidate Drugs	Key Component	Indications	Preclinical / IND / Phase I / Phase II / Phase III / NDA	Current Status/Milestone	Commercial Rights	Partner
Subcutaneous Delivery	KJ017	Recombinant Human Hyaluronidase[1] ★	Large-volume SC Delivery	NMPA	Submitted NDA; Expect to receive NDA approval in 2025 H2	Global	
				EMA	Preclinical stage; Expect to submit IND application in 2026 H1		
	BJ007[2]	Ceftriaxone Sodium (SC Formulations)	Bacterial Infection	NMPA	Submitted IND application; Expect to receive IND approval in 2025 H1	Global	
				FDA	Prepare for IND application; Expect to submit IND application in 2025 H1		
	BJ008[2]	Cefoperazone Sodium and Sulbactam Sodium (SC Formulations)	Bacterial Infection	NMPA	Preclinical stage; Expect to submit IND application in 2026 H1	Global	
	BJ009[2]	Cefazolin Sodium (SC Formulations)	Bacterial Infection	NMPA	Preclinical stage; Expect to submit IND application in 2025 H1	Global	
	KJ015	Bispecific Anti-HER2 Antibody (SC Formulations)	Solid Tumors	NMPA	IND approved; Expect to initiate Phase I trial in 2025 H1	Global	
				FDA	Prepare for IND application; Expect to submit IND application in 2025 H1		
	Co-development of Novel Antibody SC Formulations[3]		Multiple Indications	NMPA	Approaching Phase III trial (Most clinically advanced)	Owned by partners	Multiple partners
Antibody-mediated Auto-immune Diseases	KJ103	Recombinant IgG-Degrading Enzyme ★	Desensitization before kidney transplantation	NMPA	Completed Phase II trial; Expect to initiate Phase III trial in 2025 H1; Received BTD from the NMPA in November 2024	Global	
			Pathological IgG-mediated Autoimmune Diseases	FDA	Prepare for Phase II trial IND application; Expect to submit IND application in 2026 H1		
			Anti-GBM Diseases	NMPA	Phase II trial stage; Expect to complete Phase II trial in 2025		
			GBS	NMPA (Directly enter Phase II after IND Approval)	Prepare for Phase II trial IND application; Expect to submit IND application in 2025 H1		
	BJ045	Anti-CD20 Antibody Resistant to Enzyme Degradation (SC Formulations)	Moderate-to-Severe Autoimmune Diseases	NMPA	Preclinical stage; Expect to submit IND application in 2026 H1	Global	
	BJ047	Anti-CD154 Antibody Resistant to Enzyme Degradation (SC Formulations)	Solid organ transplantation, Xenotransplantation, Autoimmune Disease (Lupus Nephritis and Multiple Sclerosis)	NMPA	Preclinical stage; Expect to submit IND application in 2026 H1	Global	
Assisted Reproduction	SJ02	Recombinant Human FSH-CTP ★	Controlled Ovarian Stimulation, Stimulating Multiple Follicular Development, Promoting Ovulation	NMPA	Submitted NDA; Expect to receive NDA approval in 2025	Ex-China	A global leader in fertility treatments
				EMA	Preclinical stage; Expect to submit IND application in 2026 H1		
	SJ04	Recombinant Human Chorionic Gonadotropin	Stimulating Follicular Maturation, Inducing Ovulation and Luteinization	NMPA	Phase I trial stage; Expect to complete Phase I trial in 2025	Global	
Synthetic Biology Upgrading Platform	KJ101	Recombinant Human Chymotrypsin	Wound Healing for Burn Injuries, Traumatic Injuries, Surgical Incision, Pressure Sores and Diabetic Foot Ulcers, etc.	NMPA	Submitted IND application; Expect to receive IND approval in 2025 H1	Global	
	BJ044	Recombinant Ulinastatin	Acute Pancreatitis, Chronic Recurrent Pancreatitis and Acute Circulatory Failure	NMPA	Preclinical stage; Expect to submit IND application in 2026 H1	Global	

★ Core Product Breakthrough Designation from the NMPA

Abbreviations: BTD = Breakthrough Therapy Designation; FSH-CTP = Follicle-stimulating hormone-carboxyl-terminal peptide; GBM = Glomerular Basement Membrane; GBS = Guillain-Barré syndrome; H1 = First Half; H2 = Second Half; IgG = Immunoglobulin G; SC = Subcutaneous.

Notes:

(1) We have completed the pharmaceutical excipient registration in China and are advancing the registration progress globally.

(2) The subcutaneous antibiotic formulation is developed based on the Chemical Drug Modification (Category 2.2) new administration route, with subsequent studies on area under the curve (AUC) equivalent and PK/PD.

(3) The clinical trials will be led by the partner, and the subsequent commercialization rights will belong entirely to the partner. As of the Latest Practicable Date, we have established formal partnerships with multiple pharmaceutical or biotechnology companies globally for the development of SC antibody formulations, such as Qyuns and Sumgen.

Large-volume Subcutaneous Delivery

We are developing a number of leading products in the field of large-volume SC delivery. Our SC delivery portfolio led by our near-commercialization stage Core Product KJ017, a recombinant human hyaluronidase, for which we have submitted a NDA to the NMPA in 2024. We are also advancing the development of multiple innovative SC antibiotic formulations, including ceftriaxone sodium (BJ007), cefoperazone sodium and sulbactam sodium (BJ008), and cefazolin sodium (BJ009), to address the substantial market potential in chemicals especially antibiotics through SC delivery. Additionally, we have in-house developed KJ015, a SC formulation of dual epitope-targeting HER2 bispecific antibody. Furthermore, we have established formal partnerships with multiple pharmaceutical or biotechnology companies on SC antibody formulation development, while actively seeking new partnership opportunities in this field.

KJ017 — a recombinant human hyaluronidase, our Core Product

Overview

KJ017, is potentially the first recombinant human hyaluronidase to be approved in China. Through its mechanism of locally degrading subcutaneous hyaluronic acid, it temporarily removes barriers to fluid flow, enabling rapid, large-volume SC delivery of therapeutics traditionally IV administered.

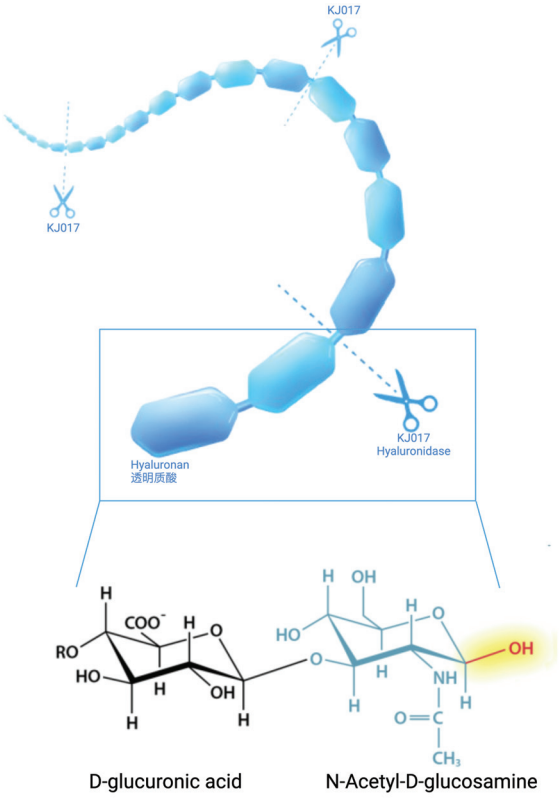
As a single drug, it can address administration challenges of crystalloid solution for patients with difficult IV access and lower the barrier for care. The Phase III clinical trial results for KJ017 support its safe and rapid facilitation of at least 1L of large-volume fluid infusion subcutaneously. Under gravity feed infusion without pump, without the use of an infusion pump, the infusion rate at a single injection site reached a minimum of 545.09 mL/h, compared to 164.68 mL/h for placebo, maintaining a relatively constant rate no less than the IV administration over time.

We have submitted a NDA for KJ017 as a single drug to the NMPA in 2024 following completion of its Phase III clinical trials. We have also established KJ017's high potential as a pharmaceutical excipient that enables large-volume SC infusion. We completed the registration of pharmaceutical excipients for KJ017 in China in September 2022 and are advancing the registration progress globally, expanding its clinical potential in enabling SC delivery across multiple therapeutic contexts and different markets. In Europe, we plan to submit an IND application for KJ017 to the EMA in the first half of 2026. Our KJ017 exhibits broad applications across multiple therapeutic modalities to enable SC administration, including antibodies and chemicals especially antibiotics, with the potential to enhance drug safety profiles, patient convenience and efficacy.

Mechanism of Action

Our KJ017, a highly glycosylated recombinant human hyaluronidase (hyaluronidase as its generic name), addresses the limited permeability of the extracellular matrix (ECM) in the hypodermis, a fundamental challenge in SC drug delivery. When administered subcutaneously, medications must permeate the ECM to reach vascular compartment. However, these SC-administered drugs face a natural barrier created by glycosaminoglycans, particularly hyaluronan, in the ECM that typically restricts fluid flow. Glycosaminoglycans in the ECM limit the volume of SC drug administration, cause hypodermal drug retention, contribute to consequent injection-site reactions, and reduce bioavailability of injected therapeutics.

The core structure of KJ017 consists of the catalytic domain, which adopts the β/α barrel, the common fold among protease catalysts. The active site is located at the center of the β-barrel, where the conformation is open, extended, and deep, facilitating the binding of hyaluronic acid in its polymeric form. The C-terminus is relatively extended, featuring an EGF-like domain and a membrane-anchoring segment. Hyaluronidases are a family of glycosaminoglycan-degrading enzymes that catalyze hyaluronan hydrolysis in the hypodermis. Our recombinant human hyaluronidase KJ017 shares the same sequence and protein structure with natural human enzymes and same mechanism of action and bioactivity with other marketed biochemically extracted products. It specifically targets, hydrolyzes and depolymerizes hyaluronan in the ECM as shown in the following diagram:



Consequently, it lowers viscosity of hyaluronan, enhances tissue permeability, and thus facilitates dispersion and absorption of large-volume co-administered drugs. This modification of ECM is reversible within a short period of time normally in 24 to 48 hours, ensuring the therapeutic benefit of enhanced drug delivery while allowing restoration of normal tissue architecture.

Market Opportunities and Competition

The global and China's recombinant human hyaluronidase market is expected to grow rapidly. Globally, the recombinant human hyaluronidase market size is expected to grow from US$107.2 million in 2018 to US$674.6 million in 2023, and is anticipated to reach US$2,980.3 million in 2028 and US$10,384.7 million in 2033, according to Frost & Sullivan. In China, the recombinant human hyaluronidase market size is expected to grow to RMB1,938.5 million in 2028, and further to RMB7,495.3 million in 2033.

In recent years, the market for recombinant human hyaluronidase as monotherapy has seen rapid growth globally, the size of which increased from US$15.0 million in 2018 to US$111.2 million in 2023, which is expected to grow to US$558.9 million in 2028 and further to US$1,097.0 million in 2033. In China, the market for recombinant human hyaluronidase as monotherapy is expected to reach RMB662.8 million in 2028 and RMB1,532.0 million in 2033.

The table below provides a summary of globally approved or clinical-stage recombinant human hyaluronidase products:

Competitive Landscape of Recombinant Human Hyaluronidase Globally

Drug Name	Company	Stage	Approval Date/ First Post Date	Indication
rHuPH20 (Hylenex)	Halozyme Therapeutic	Approved by FDA	2005.12	Subcutaneous infusion vehicle
Tergase	Alteogen	Approved in South Korea	2024.07	Subcutaneous infusion vehicle
KJ017	**Our Company**	NDA (NMPA)	2024.09	Subcutaneous infusion vehicle
BMI2004	BMI Korea	Phase I (South Korea)	2023.06	Subcutaneous infusion vehicle
HLB3-002	Huons Korea	Phase I (South Korea)	2024.12	Subcutaneous injection

Source: Frost & Sullivan analysis
Note: As of January 14, 2025

Halozyme initially developed the first FDA approved recombinant human hyaluronidase in 2005 through its HYLENEX® and ENHANZE® platforms. The current global business model for recombinant human hyaluronidase is characterized by exclusivity in collaborations, where leading pharmaceutical companies secure exclusive rights to specific collaborative targets with Halozyme. While this model has successfully facilitated the commercialization of several blockbuster products, it has also created significant unmet demand for non-exclusive SC delivery solutions. Particularly, such restrictive model rules out a vast number of pharmaceutical companies, including almost all in China, to develop SC formulations of their

antibody drugs using leading hyaluronidase products. Our Company has established the first-mover advantage in China with our proprietary KJ017. KJ017 is the first recombinant human hyaluronidase to reach NDA stage in China, which represents a significant commercial opportunity in pharmaceutical market in China.

In addition to being used as a single drug, recombinant human hyaluronidase demonstrates significant potential across various therapeutic and medical applications due to its ability to locally and temporarily degrade hyaluronic acid, enhancing tissue permeability and drug dispersion. In SC drug delivery, it facilitates the conversion of IV therapies, such as monoclonal antibodies and traditional small molecule medications, to SC administration, optimizing dosage and improving patient compliance. Recombinant human hyaluronidase demonstrates versatile applications and positions itself as a valuable tool in various medical and therapeutic fields, including through combination use with other drugs such as the antibody drugs and chemicals especially antibiotics to enable SC delivery.

For details, see "Industry Overview — Analysis of the Subcutaneous Drug Delivery System Market."

Competitive Advantages

Enhanced patient convenience and safety through rapid SC drug delivery

KJ017 achieves subcutaneous administration of large volumes of medication through its targeted degradation of SC hyaluronic acid layer, offering a safer and more comfortable treatment experience. Our KJ017 enables drugs, which traditionally required IV infusion, to be administered subcutaneously in a rapid manner (approximately 5 minutes for those antibody drugs). This enables patients to administer the treatment independently at home, making the process more convenient and safe, while significantly reducing the burden on hospital care resources, representing a significant advancement in treatment efficiency. Our preclinical studies demonstrated KJ017's remarkable ability to enhance rapid absorption of high-volume SC saline infusions in both nude mice and miniature pigs, facilitating efficient fluid dispersion and absorption in SC tissue. KJ017 facilitates the rapid administration of at least 1L of large-volume SC delivery, offering an alternative to IV delivery and addressing clinical needs for large-volume administration across various SC sites. In its completed Phase III trial in China, we saw the rapid diffusion and absorption of large-volume fluid (250 ml, 500 ml, and 1,000 ml) in the SC tissue facilitated by KJ017. Under gravity feed infusion without pump, KJ017 achieved a flow delivery rate of 545.09~775.00 mL/h, compared to 164.68 mL/h for placebo (p-value <0.001).

Favorable safety profile in preclinical and clinical studies

The large-volume SC administration enabled by KJ017 can significantly reduce common complications associated with IV delivery, including infusion reactions, phlebitis and extravasation risks. In its completed Phase III trials in China, clinical subjects demonstrated excellent tolerability with minimal arm swelling or injection site-related reactions. No allergic reaction or adverse events over Grade 3 were observed in the trials and the majority of adverse events observed in the trials were mild (Grade 1) and were manageable.

Recombinant production with manufacturing excellence and superior quality

As a recombinant human hyaluronidase, KJ017 demonstrates significant advantages in manufacturing control and product safety. Our manufacturing through synthetic biology technology eliminates raw material sourcing constraints and potential contamination risks associated with exogenous pathogens such as prions, while enabling complete process control. In contrast to biochemically extracted products, KJ017 exhibits superior batch-to-batch consistency, enhanced product purity, and improved clinical safety profile. The recombinant production method eliminates the heightened immunogenicity risks and quality variability inherent to traditional animal-sourced hyaluronidase preparations, enabling KJ017 to serve as excipient for SC delivery systems. The comprehensive control over the manufacturing process translates into consistent product quality, as evidenced by our clinical trials where the consistent product quality of KJ017 resulted in no allergic reactions were observed.

Broad therapeutic applications with extensive market potential

KJ017's versatility as an enabling technology spans multiple therapeutic modalities, being used in combination with various drugs to enable SC delivery, including antibodies, chemicals especially antibiotics, and other currently IV medications. Leveraging our low-cost manufacturing capabilities, we are capable of successfully applying advanced SC drug delivery technologies (which are historically reserved for premium applications) to improve the formulation of widely used chemical drugs. For our antibody and antibiotics SC formulation candidates under in-house and collaborative development, please refer to the sections headed "— Our Drug Candidates — BJ007, BJ008 and BJ009 — Antibiotic SC Formulation Candidates" "— Our Drug Candidates — KJ015 — Antibody SC Formulation Candidate In-House Developed" and "— Our Drug Candidates — Antibody SC Formulation Candidates through Collaborations." SC formulations combined with KJ017 can enable large-volume, low-concentration delivery while minimizing complications, offering additional potential to reduce medical costs and resource consumption in drug transportation and healthcare facility usage. The various applications of KJ017 create substantial market opportunities across diverse therapeutic areas in numerous indications, with potential for continued expansion into additional treatment categories.

Summary of Clinical Trial Results

Completed Phase III clinical trials of KJ017 in China (CTR20210453 and CTR20241071)

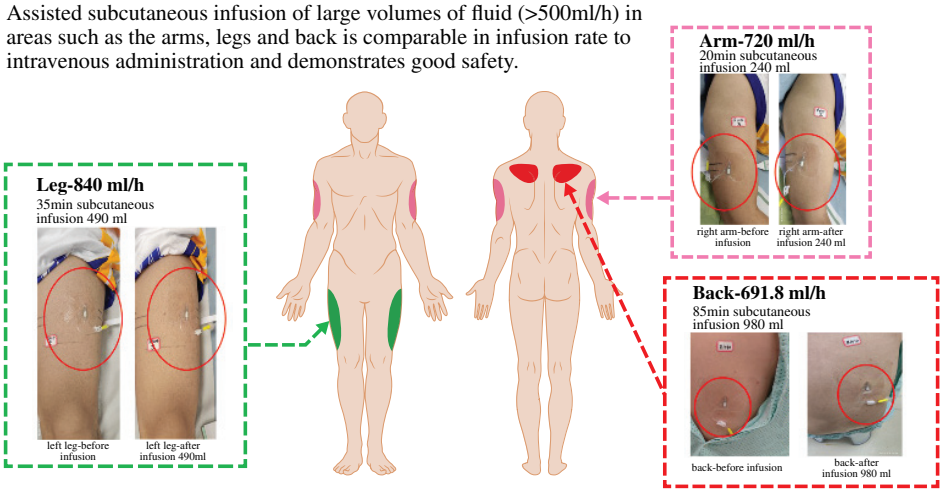
The two trials are randomized, double-blind, placebo-controlled and parallel-group. Phase III studies to evaluate characteristics of KJ017 in healthy subjects for facilitating subcutaneous infusion in China. CTR20210453 (Phase IIIa) is the first efficacy trial for KJ017, testing its ability to facilitate a single SC infusion in the arms, while CTR20241071 (Phase IIIb) further evaluates the efficacy of KJ017 across different body areas in facilitating SC infusions of varying volumes.

Trial design. CTR20210453 was designed to enroll, and actually enrolled, a total of 48 healthy subjects aged 18 to 60 years old, who were divided into three cohorts with each consisting of one subject in the pre-trial and 15 subjects in the formal trial. Subjects in each cohort received a single assigned dose of KJ017 in one arm and a placebo in the other arm during the 250 ml SC infusion of large-volume fluid. To further explore the efficacy of KJ017, CTR20241071 was designed to enroll, and actually enrolled, a total of 45 healthy subjects, divided into three cohorts with each consisting of 15 subjects. Subjects enrolled in each cohort in CTR20241071 received assigned doses on one side of the body and a placebo simultaneously on the other side during the SC infusions of large-volume fluid. The subjects in the first group received KJ017 in their thigh (500 ml) on Day 1, in their arm (250 ml) on Day 2, in their thigh (500 ml) on Day 3 and in their back (1,000 ml) on Day 4. The other two groups received a single injection in their arm before the SC infusion of 250 ml fluid.

The primary endpoint of both studies is the subcutaneous infusion rate for PD characteristics evaluation, with secondary endpoints including AE and SAE monitoring, clinical laboratory examination results, vital sign results, electrocardiogram (ECG) results, physical examination results and injection site reactions.

Trial status. We have completed CTR20210453 and CTR20241071 in October 2021 and May 2024, respectively.

Efficacy results. KJ017 facilitated the rapid diffusion and absorption of 250 ml, 500ml, and 1000ml fluid in the SC tissue, demonstrating high drug delivery efficiency. Under gravity feed infusion without pump, KJ017 reached a greater subcutaneous infusion rate of 545.09~775.00 mL/h, compared to 164.68 mL/h for placebo (p-value <0.001).



Safety results. The trial results suggested that KJ017 was generally safe and well-tolerated by all subjects, with no subjects experiencing significant arm swelling, or injection-site related reactions. There was no allergic reaction observed in the trials. The majority of adverse events observed in the trials were mild (Grade 1) were manageable, with no TEAE (≥Grade 3) observed.

The below table sets forth the combined safety data of the two trials.

Adverse reactions	KJ017 (N=90)	Placebo (N=90)
Injection site pain	73 (81.1%)	68 (75.6%)
Injection site erythema	5 (5.6%)	4 (4.4%)
Injection site bruising	5 (5.6%)	3 (3.3%)
Infusion site discomfort	1 (1.1%)	0 (0.0%)
Infusion site swelling	1 (1.1%)	1 (1.1%)

Note: In the KJ017 group and the placebo group in the trials, only one subject in each group experienced infusion site pain classified as a Grade 2 adverse event. All other adverse events in the trials were mild (Grade 1). All adverse events in the trials were Grade 1 or 2 and manageable, indicating KJ017's favorable safety and tolerability.

Source: Company data

Conclusion. The trial results demonstrated KJ017's positive efficacy and safety profile, marking a significant advancement in treatment efficiency. KJ017 has shown its use in safely and rapidly facilitating the SC infusion of at least 1,000 ml fluid across multiple body areas, offering a viable alternative to intravenous infusion.

Completed Phase I clinical trial of KJ017 in China (CTR20191671)

This is a randomized, double-blind and placebo-controlled Phase I study designed to evaluate the safety, tolerability, pharmacokinetics (PK) and immunogenicity of single injection of KJ017 in healthy subjects in China.

Trial design. This study enrolled a total of 50 healthy subjects across six dose levels, ranging from 12 IU to 1,540 IU, with 40 subjects receiving a single injection of KJ017 and 10 subjects receiving a placebo. The primary endpoints of the Phase I study are to evaluate the safety and tolerability of KJ017 in healthy subjects. Additional endpoints include assessment of the PK characteristics and immunogenicity.

Trial status. We have completed this study in September 2019.

Safety results. The trial results suggested that KJ017 was generally safe and well-tolerated by all subjects with evaluation through monitoring of AE, SAE, changes in clinical laboratory results (such as complete blood count (CBC), blood biochemistry, and urinalysis), vital signs, 12-lead ECG, and physical examination findings. 9 out of 40 subjects administered with KJ017 in the trial were reported to exhibit TEAEs. All TEAEs reported in the trial were mild (Grade 1), with no TEAE (≥ Grade 3) observed. TRAEs observed in the trials included total bilirubin increased (7.5%), dizziness (5.0%), nasopharyngitis (5.0%), hyperuricemia (2.5%), injection site itching (2.5%), and nausea (2.5%).

Conclusion. The trial results demonstrated the positive safety profile of single injection of KJ017.

Clinical Development Plan

Our clinical development for KJ017 as a single drug in China has achieved a significant milestone with our NDA submission to the NMPA, currently under regulatory review. We are concurrently preparing for its overseas clinical development and registration filings in Europe and other jurisdictions, with an expected IND submission to the EMA in the first half of 2026, strategically expanding our global market presence.

License, Rights and Obligations

We have established formal partnerships with multiple pharmaceutical or biotechnology companies to develop SC formulation for innovative antibody drugs. Among these collaborations, two programs have advanced to Phase II or III clinical trials. We continue to actively expand our collaboration ecosystem, with business development initiatives underway with over a dozen potential partners at various negotiation stages — from initial due diligence and material transfer to term sheet discussions. For details of these selected material collaboration agreements, see "— Collaboration Agreements."

Material Communications with Competent Authorities

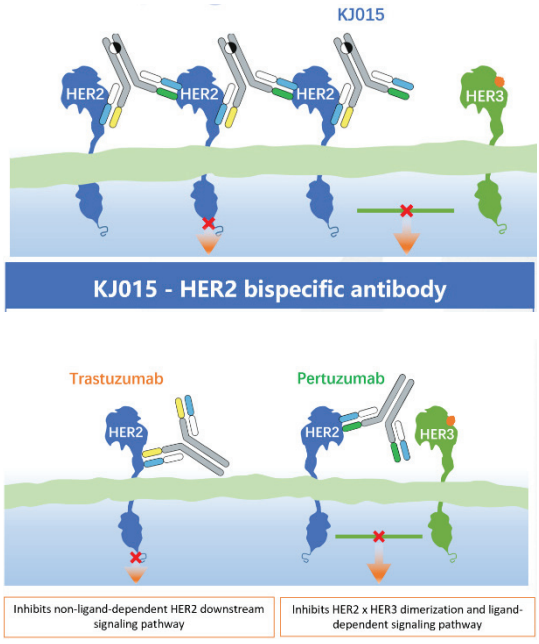
We received the IND approval for KJ017 from the NMPA in December 2018, pursuant to which we initiated a Phase I clinical trial in China and completed this trial in September 2019. Following the completion of Phase I trial, we communicated with the CDE in August 2020. Under the request from the CDE, we proceeded to the Phase III pivotal trials for KJ017. We completed the registration of pharmaceutical excipients for KJ017 in China in September 2022. We then completed the two Phase III trials in October 2021 and May 2024, respectively, and submitted the NDA to the NMPA subsequently. We had not received any regulatory agency's concerns or objections to our clinical development plans as of the Latest Practicable Date.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET KJ017 SUCCESSFULLY.

KJ015 — Antibody SC Formulation Candidate In-House Developed

We are internally developing SC formulations of antibody drugs with large market potential, as exemplified by our KJ015. KJ015 is an SC administration formulation of innovative bispecific anti-HER2 antibody derived from common light chain technology, which is designed to have two Fab arms with the common light chain forming near-native IgG1 structure. With its ability to maintain high affinity for two epitopes simultaneously, KJ015 can

target the epitopes recognized and clinically validated by HERCEPTIN® (trastuzumab) and PERJETA® (pertuzumab) at the same time, inhibiting both HER2 homodimerization and HER2 heterodimerization with EGFR, HER3 and HER4. The following diagram illustrates such mechanism of action of KJ015:



KJ015 has reasonable affinity or structure refinement over existing anti-HER2 bispecific antibodies. It can more effectively inhibit HER2 dimerization with ERBB-family members. This inhibition leads to reduction in downstream signals such as MAPK and PI3K/Akt. Additionally, such dual-binding results in antibody-antigen clustering that may facilitate the internalization and recognition of tumor antigen, thereby distinguishing it from the combination of monoclonal antibodies.

Our preclinical studies demonstrate KJ015's overall preclinical enhancement in efficacy compared to conventional anti-HER2 monoclonal combinations. Existing pharmacodynamic evaluations indicate that KJ015 demonstrates significantly superior tumor inhibition on Calu-3, N87, and BT474 xenografts compared to the combination of HERCEPTIN® and PERJETA®. In the Calu-3 xenograft model, KJ015 showed good tolerability in tumor-bearing mice at doses of 15 to 60 mg/kg, indicating its potential as an effective anti-tumor drug with positive safety profile. Moreover, the synergistic effect of KJ015 may further enhance its potential benefits for combination therapy development.

KJ015's near-native structure with deamidation design leads to stable physicochemical properties and high productivity (> 7g/L) in large-scale manufacturing. Its stability at high concentrations has also facilitated subcutaneous formulation with our recombinant human hyaluronidase. KJ015 is designed to allow for easy subcutaneous administration, which will reduce drug onset time, enhance patient convenience, and mitigate risks associated with IV administration, offering a safer and more user-friendly alternative.

We are developing KJ015 in-house and own the global rights to develop and commercialize KJ015.

We have received IND approval from NMPA for KJ015 in December 2024. We expect to commence the Phase I clinical trial in the first half of 2025. We had not received any regulatory agency's concerns or objections to our clinical development plans as of the Latest Practicable Date.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET KJ015 SUCCESSFULLY.

Antibody SC Formulation Candidates through Collaborations

According to Frost & Sullivan, in the antibody drug market in China, the market for the recombinant human hyaluronidase combined with antibodies is expected to reach RMB1,028.0 million in 2028 and RMB3,200.9 million in 2033. However, currently, global leading players in SC drug delivery mainly employ an exclusive licensing model that grant licenses exclusively to only one drug manufacturer per each class of antibody drugs for its target. This restrictive approach has created substantial market opportunities, as many pharmaceutical companies, particularly in China, are unable to develop SC formulations of their antibody drugs using these products. To address this market demand, we are dedicated to establishing collaborative relationships with various partners, to provide safer, more convenient and cost-effective large-volume administration solutions for their antibody therapeutics. These collaborations not only amplify the utility of KJ017 across diverse therapeutic areas but also establish steady and scalable revenue streams through income from technical services and product supply.

As of the Latest Practicable Date, we have established formal partnerships with multiple pharmaceutical or biotechnology companies for the development of SC antibody formulations, such as Qyuns and Sumgen. Under our typical collaboration model, we continuously supply our recombinant human hyaluronidase products throughout the research and development, manufacturing and commercialization stages, and provide related technical services. Our partners advance the development of SC formulation in combination with their antibody drug candidates at their costs, while compensating us through payments for our ongoing product supply and services. Our partners will be the marketing authorization holders and own all intellectual property rights related to the SC formulations developed under the collaborations, while we will retain ownership of intellectual property rights for technology related to hyaluronidase developed using our own funds and technology. As of the Latest Practicable Date, two programs under our existing collaborations have advanced into Phase II or III stage. For details of collaborations with selected partners on novel antibody SC formulations, see "— Collaboration Agreements." Through these collaborations, we expect to generate stable revenue from the milestone payments and product supply of our KJ017 products.

BJ007, BJ008 and BJ009 — Antibiotics SC Formulation Candidates

Leveraging the efficiency and scalability of our synthetic biology platforms, we are potentially the first globally to develop SC formulations of widely used antibiotics to capture new market opportunities in this therapeutic area. These innovative SC antibiotics allow for the large-volume, low-concentration SC antibiotic infusions, and reduce associated complications. Currently, we are developing SC formulations of ceftriaxone sodium (BJ007), cefoperazone sodium and sulbactam sodium (BJ008), and cefazolin sodium (BJ009). According to Frost & Sullivan, the antibiotics market size in China is expected to reach RMB118.3 billion in 2028 and RMB128.3 billion in 2033, respectively. China's market for recombinant human hyaluronidase combination use of antibiotics is expected to reach RMB247.7 million in 2028 and RMB2,762.4 million in 2033. We aim to launch the world's first SC administered antibiotic drug within the next three years.

BJ007

BJ007 is potentially the first SC administered ceftriaxone sodium to enter into the clinical stage globally for the treatment of bacterial infections. While ceftriaxone sodium, typically administered intravenously, has been marketed globally for over 40 years with proven efficacy and safety in treating bacterial infections, patients with difficult venous access (DIVA) face challenges in receiving IV administration, creating a significant unmet clinical need. Leveraging our large-volume SC delivery system powered by our Core Product KJ017, BJ007 is strategically developed to transform the IV infusion of currently available ceftriaxone sodium products into subcutaneous injection. The innovation reduces the need for vascular access and use of long-term IV catheters, providing a more convenient, safer and lower cost administration option. BJ007 can thus offer the non-inferior therapeutic benefits without the risks, discomfort and costs associated with infusion lines that are routinely required for longer courses of ceftriaxone treatment, while also addressing the significant unmet clinical needs of DIVA patients.

Ceftriaxone sodium is widely prescribed for a broad spectrum of bacterial infections, including lower respiratory tract infections, urinary tract and biliary tract infections due to susceptible bacteria, as well as gonorrhea, intra-abdominal infections, pelvic inflammatory disease, skin and soft tissue infections, bone and joint infections, bacteria sepsis, meningitis, and surgical prophylaxis. Ceftriaxone sodium, a third-generation cephalosporin beta-lactam antibiotic, exerts bactericidal activity by binding to and inactivating penicillin-binding proteins (PBPs) on the bacterial cell wall. This disrupts the cross-linkage of peptidoglycan chains necessary for bacterial cell wall strength and rigidity, weakening bacterial cell wall and causing cell lysis.

Ceftriaxone's time-dependent killing properties means that its effectiveness is primarily determined by the duration that the drug concentration remains above the minimum inhibitory concentration (MIC) required to inhibit bacterial growth. By combining ceftriaxone sodium

with recombinant human hyaluronidase that facilitates subcutaneous absorption, BJ007 is designed to provide non-inferior antimicrobial coverage, particularly in terms of time over the MIC, when compared to the same dose given by IV infusion.

We submitted the IND application to the NMPA in December 2024 and anticipate receiving approval in the first half of 2025. Upon approval, we plan to initiate a Phase I clinical trial for BJ007 to evaluate its bioavailability, consisting of a pre-trial and a single-center, randomized, open-label, two-period, crossover formal trial. This trial will evaluate the PK/PD characteristics and absolute bioavailability of BJ007 compared with IV ceftriaxone sodium in expected 66 healthy subjects (18 in the pre-trial and 48 in the formal trial) in China. In addition, we are preparing the IND application for BJ007 in the U.S. and expect to submit it to the FDA in the first half of 2025.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET BJ007 SUCCESSFULLY.

BJ008

We are currently developing BJ008 as an innovative SC formulation of cefoperazone sodium and sulbactam sodium. Cefoperazone sodium and sulbactam sodium is a common compound preparation for the treatment of bacterial infections spanning respiratory tract infection, urinary tract infections, intra-abdominal infections, gynecological infections, skin and soft tissue infections, bone and joint infections, bacterial sepsis, meningitis, endocarditis, as well as surgical prophylaxis. Cefoperazone, a third-generation cephalosporin antibiotic, demonstrates strong synergistic antibacterial activity against Gram-negative bacteria with good stability when combined with sulbactam sodium, an irreversible beta-lactamase inhibitor. By utilizing our large-volume SC delivery system, BJ008 may have the potential replace the IV infusion of currently available cefoperazone sodium and sulbactam sodium with subcutaneous injection, with a reduced risk of complications and improved patient compliance. As of the Latest Practicable Date, BJ008 was in the preclinical stage, and we expect to submit its IND application to the NMPA in the first half of 2026. There is currently no approved or clinical-stage SC administered cefoperazone sodium and sulbactam sodium globally.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET BJ008 SUCCESSFULLY.

BJ009

BJ009 is designed as an innovative SC formulation of cefazolin sodium, a first-generation cephalosporin antibiotic that works by inhibiting bacterial cell wall synthesis, leading to cell lysis. Similar to intravenous cefazolin sodium, BJ009 has the potential to treat a wide range of infections caused by bacteria, including those affecting the skin, bone, joint, genital, blood, heart valve, respiratory tract, biliary tract, and urinary tract infections. Moreover, the SC administration of BJ009 may offer enhanced treatment experience, lower risks of complications and reduced treatment costs, suggesting a huge market potential. As of the Latest

Practicable Date, BJ009 was in the preclinical stage, and we expect to submit its IND application to the NMPA in the first half of 2025. There is currently no approved or clinical-stage SC administered cefazolin sodium globally.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET BJ009 SUCCESSFULLY.

Antibody-mediated Autoimmune Conditions

KJ103 — a recombinant IgG-degrading enzyme, our Core Product

Overview

KJ103 is an innovative recombinant immunoglobulin G (IgG)-degrading enzyme for the treatment of a multitude of immunological disease and conditions driven by the pathogenic activity of IgG antibodies. According to Frost & Sullivan, KJ103 is the first and only low-immunogenic IgG-degrading enzyme to reach the pivotal clinical stage globally. Additionally, KJ103 received the BTD from the NMPA as a potential desensitization therapy in kidney transplantation in November 2024.

Derived from a non-pathogenic strain of *Streptococcus equi* subsp. *Equi* (SEE), KJ103 is designed to efficiently cleave and degrade all subtypes of pathogenic IgG antibodies that are responsible for various immune-mediated diseases. By binding specifically to the Fc region of IgG and enzymatically disrupting the hinge region, KJ103 can render the antibody functionally inactive and inhibit adverse immune responses. This ability to modulate IgG levels makes KJ103 a promising agent for treating a broad range of conditions associated with aberrant antibody activity, such as autoimmune diseases, transplant rejections and other IgG-mediated disorders.

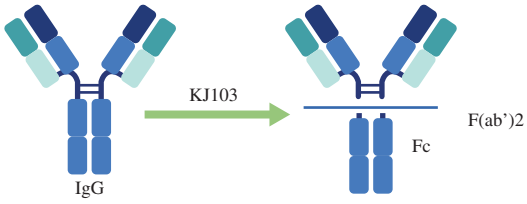
We are currently evaluating the therapeutic potential of KJ103 in kidney transplantation desensitization and pathological IgG-mediated autoimmune diseases across different stages of clinical trials. Specifically, with respect to kidney transplantation desensitization, we initiated a Phase II/III trial in China in December 2023 and completed the Phase II portion in September 2024, following which we expect to initiate the Phase III portion in the first half of 2025. With respect to pathological IgG-mediated autoimmune diseases, and particularly anti-GBM disease, we received the IND approval for Phase II trial from the NMPA in August 2024, pursuant to which we initiated a Phase II trial of KJ103 in patients with anti-GBM disease in China in October 2024, with anticipated completion by the end of 2025. Prior to these trials, we completed two Phase I safety and exploratory trial in healthy subjects for KJ103 in New Zealand and China both in March 2023. Further, we plan to submit IND applications for the Phase II trial of KJ103 in treating GBS to the NMPA in the first half of 2025 and the FDA in the first half of 2026, respectively.

Mechanism of Action

IgG constitutes approximately 75% of serum immunoglobulins and plays a vital role in immune system protection, effectively preventing infectious diseases. However, dysregulated IgG activity can contribute to the development of various antibody-mediated autoimmune conditions and may interfere with the efficacy of certain medications. In these scenarios, removing pathogenic and other IgG antibodies from the bloodstream represents a rational therapeutic strategy. IgG-degrading enzymes hold great promise as an effective approach for eliminating pathogenic IgG in affected patients.

KJ103 is a modified version of the wild-type IgG-degrading enzyme of *S. equi* ssp. *equi*, or IdeE. IdeE, in its native form, is known for its ability to cleave IgG at the hinder region with high specificity and efficiency. To enhance its properties for therapeutic use, KJ103 was engineered by deleting the N-terminal amino acids and substituting key amino acids. These modifications are intended to optimize the enzyme's catalytic activity, stability and other functional characteristics.

The mechanism of action of KJ103 involves binding to the IgG molecule and targeting a specific site within the hinge region, which connects the antigen-binding $F(ab')_2$ region to the Fc region responsible for effector functions. Upon binding, KJ103 degrades IgG at this precise location, resulting in two distinct fragments: the $F(ab')_2$ fragment, which retains antigen-binding capacity, and the Fc fragment, which contains the effector domains. By effectively degrading IgG into these components, KJ103 can render the antibody functionally inactive. This specific cleavage mechanism makes KJ103 a promising therapeutic agent for conditions where pathogenic IgG plays a central role. The following diagram illustrates such mechanism of action of KJ103:



Application of KJ103

KJ103's ability to specifically and efficiently degrade IgG positions it as a versatile therapeutic tool with broad applications across diverse clinical settings, including desensitization protocols for kidney or other organ transplantations, as well as antibody-mediated acute autoimmune diseases. Furthermore, when used in combination with recombinant antibodies resistant to enzymatic degradation, KJ103 can enhance therapeutic outcomes with synergistic effects.

Desensitization in kidney and other organ transplantations

In highly sensitized patients awaiting organ transplantation, the presence of donor-specific antibodies (DSAs), including anti-HLA DSAs, poses a major risk for antibody-mediated rejections. KJ103 can degrade circulating IgG, including pathogenic DSAs, effectively lowering antibody titers prior to transplantations. This reduction in DSAs facilitates successful organ acceptance and improves clinical outcomes, especially in patients with limited donor compatibility, such as those undergoing kidney, heart, or lung transplantations.

KJ103 has entered into a Phase II/III trial in China for desensitizing highly HLA-sensitized patients to enable kidney transplantation. Its Phase I trial results indicated that KJ103 is effective, safe and well-tolerated in healthy subjects, providing a seven-day therapeutic window. Its Phase II portion trial results further demonstrated that KJ103 can rapidly and effectively reduce or eliminate both HLA-I and HLA-II antibodies following administration, achieving a 100% success rate in desensitization treatment within 24 hours. No antibody-mediated rejection was reported at 6 to 12 months post-transplantation, and the survival rate of transplant recipients remained at 100% for over six months. Such encouraging clinical trial results underscore the significant potential of KJ103 for desensitization therapy in highly sensitized patients awaiting kidney transplantation.

Given its ability to degrade all subclasses of IgG, KJ103 has the potential to expand into other organ transplantation indications, including xenotransplantation. In an investigator-initiated trial, following injection of KJ103 into a rhesus monkey (on the day when this monkey was in life-threatening condition) who received a xenogeneic pig kidney transplant, KJ103 was observed to rapidly address antibody-mediated rejection and kidney function impairment in a rhesus monkey who received a xenogeneic pig kidney transplant. This monkey's extended survival ultimately reached a duration after the injection of KJ103 that surpassed all previous records of xenotransplantation in China.

Hundreds of antibody-mediated acute autoimmune diseases

IgG autoantibodies contribute to the disease progression in a variety of autoimmune diseases by attacking the body's own tissues. KJ103 can specifically target and degrade these pathogenic IgG autoantibodies in the bloodstream, thereby mitigating the immediate effects of acute symptoms, providing rapid relief from disease flare-up, and reducing tissue damage that result from autoimmune reactions. This targeted approach not only diminishes the adverse effects of the IgG autoantibodies but also potentially complements existing treatments such as broad immunosuppressive therapies. KJ103's ability to eliminate pathogenic IgG provides a more precise and potentially safer alternative for managing hundreds of acute autoimmune diseases mediated by these antibodies.

Anti-GBM disease, in particular, is a life-threatening autoimmune disorder in which the immune system primarily produces IgG autoantibodies against the GBM in the kidneys, leading to reduced kidney function and associated severe symptoms. As of the Latest Practicable Date, there were no approved drugs addressing this indication globally. We initiated a Phase II trial of KJ103 in subjects with anti-GBM disease in China in October 2024, and expect to conclude this trial by the end of 2025. Further, we plan to file IND applications for a Phase II trial with the NMPA in the first half of 2025 and the FDA in the first half of 2026 for the treatment of GBS where Idefirix®, an IgG-degrading enzyme product under clinical stage for GBS treatment, has shown limited efficacy by its rapid rebound of IgG levels post-treatment pursuant to publicly available data.

Combination therapy with recombinant antibodies resistant to enzymatic degradation

We are actively investigating the potential of combination therapies that integrate KJ103 with antibody drugs in treating a range of autoimmune disorders driven by pathogenic autoantibodies, including, without limitation, pemphigus vulgaris and myasthenic crisis. This approach leverages the complementary strengths of different therapeutic modalities, allowing us to target multiple layers of autoimmune pathology simultaneously. By combining the potent effects of KJ103 with specific antibodies responsible for B cell and plasma cell depletion, as well as complement inhibitors and T-cell co-stimulation inhibitors, we aim to develop a more comprehensive and effective treatment strategy for these severe conditions. As part of this effort, we are advancing the development of several proprietary recombinant antibodies resistant to enzymatic degradation by KJ103, such as anti-CD20 and anti-CD154 antibodies BJ045 and BJ047. Notably, our novel anti-CD20 antibody, BJ045, and anti-CD154 antibody, BJ047, have already demonstrated preclinical proof-of-concept. These antibodies hold the potential to significantly enhance treatment outcomes by improving antibody stability and efficacy, offering a promising new direction for autoimmune disease management.

Market Opportunities and Competition

IgG-degrading enzymes have been explored for its potential in treating a range of acute autoimmune diseases. The global IgG-degrading enzyme market expand with a CAGR of 171.1% projected from 2023 to 2028 and is expected to reach a value of US$1.4 billion in 2028. Meanwhile, the IgG-degrading enzyme market in China is expected to grow at a robust from RMB326.6 million in 2028 to RMB6,452.5 million in 2033.

As of the Latest Practicable Date, around the globe, there were three IgG-degrading enzymes candidates were under clinical development and only one approved IgG-degrading enzyme product, Idefirix®, which was marketed in Europe, targeting desensitization before kidney transplantation and currently undergoing clinical trial for other indications. Our KJ103 is under Phase II/III for desensitization treatment of highly sensitized adult kidney transplant patients and Phase II for anti-GBM disease, with no other IgG-degrading enzyme product in clinical stage or approved in China. See "Industry Overview — Analysis of Antibody-mediated Autoimmune Diseases Market — Selected Indications targeted by IgG-Degrading Enzymes" for further details.

The following diagram illustrates the details of marketed product of IgG-degrading enzymes globally:

Drug Name	Generic name	Company	Target	Indications	Approved region	Approved Date
Idefirix®	Imlifidase	Hansa Biopharma	IgG	Desensitization before kidney transplantation	EMA	2020/08/25

Source: Frost & Sullivan analysis
Note: As of January 14, 2025

The following diagram illustrates the details of IgG-degrading enzymes pipeline globally:

Drug Name	Company	Target	Indications	Stage	First Post Date
KJ103	**Our Company**	IgG	Desensitization before kidney transplantation	II/III	2023/12/25
			Anti Glomerular Basement Membrane (Anti-GBM)	II	2024/09/30
			Acute severe autoimmune diseases mediated by pathogenic lgG autoantibodies	I	2022/03/10
Idefirix®	Hansa Biopharma	IgG	Anti Glomerular Basement Membrane (Anti-GBM)	III	2023/01/11
			Guillain-Barré syndrome (GBS)	II	2018/12/19
			Crigler-Najjar syndrome	II	2024/07/24
			Muscular dystrophy	I	2023/01/31
HNSA-5487	Hansa Biopharma	IgG	Autoimmune diseases	I	2023/04/20

Source: Clinicaltrials.gov, CDE, NMPA, Frost & Sullivan analysis
Note: As of January 14, 2025

Competitive Advantages

Favorable safety and tolerability profile

KJ103's low pre-existing antibody proportion and titers, along with its fast recovery to baseline levels of induced anti-drug antibodies, collectively contribute to a superior safety and tolerability profile.

KJ103 exhibits a lower risk of immunogenicity, due to the relatively low positive rates of pre-existing antibodies against KJ103 in the population at approximately 29.4% in its Phase I China trial, compared to that of Idefirix® at 90%, according to its publicly reported clinical data. These pre-existing anti-KJ103 antibodies are weakly positive and have very low titers, significantly reducing the likelihood of infusion or hypersensitivity reactions commonly associated with Idefirix®. Upon administration, KJ103 induces anti-drug antibodies that appear later and at lower titers than Idefirix®, and these antibody titers return to baseline more quickly, suggesting the transient immune response of KJ103.

The following table sets forth the comparison between the safety profile of KJ103 its Phase I clinical trial in China and Idefirix® according to its public clinical data. Though these clinical trial data were generated in independent studies and do not come from head-to-head analysis, and there is no assurance that the data of KJ103 in later clinical trials will be as favorable as that of its Phase I trials, we believe meaningful insight may be drawn that KJ103 could potentially offer a compelling treatment option with enhanced safety and tolerability.

	KJ103 (N=34)	**Idefirix® (N=54)**
Pre-existing anti-drug antibodies proportion and titer	29.4% positive and evaluate as weak positive	90% positive and evaluated as strongly positive
Infusion related reactions	No infusion related reactions or hypersensitivity were reported among subjects receiving KJ103.	Infusion related reactions were an important known risk in the RMP of Idefirix®. Among all subjects using antihistamine drugs or glucocorticoids in advance, 3 of 54 subjects with chronic kidney disease (CKD) experienced infusion related reactions associated with Idefirix®.

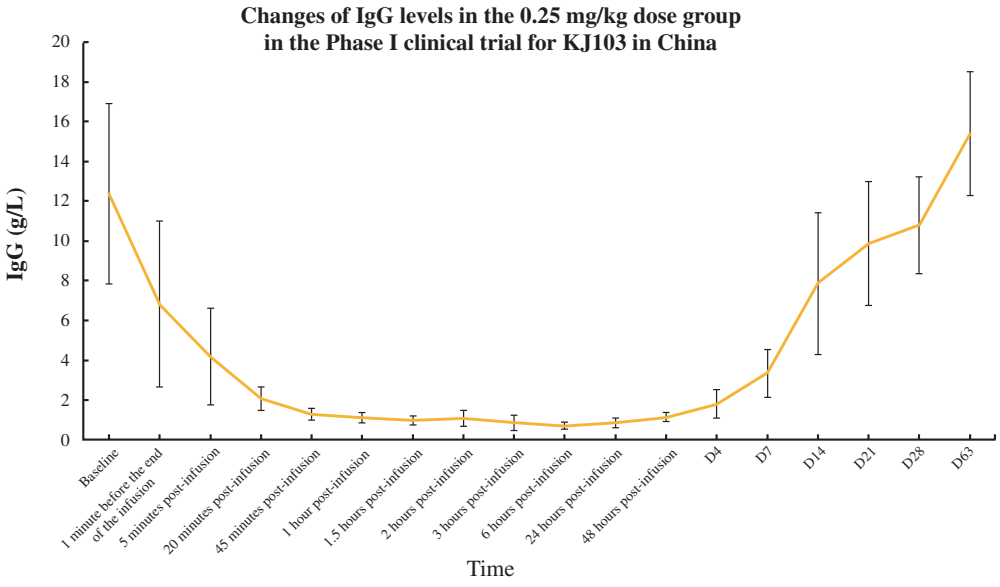
Source: Company data, literature review

Indeed, KJ103 has shown a favorable safety profile and is well-tolerated in healthy subjects across all dose levels in its Phase I trials. AEs observed with KJ103 in the trials were predominantly mild to moderate (grade 1 or 2).

Rapid and sustained IgG cleavage leading to enhanced efficacy

In its Phase I trials in New Zealand and China, KJ103 efficiently degrades 83% ~ 91% of IgG in one hour and 90% ~ 95% of IgG in six hour after administration at a dose of 0.25 mg/kg. This rapid onset of action ensures effective degradation of pathogenic IgG antibodies, making it highly effective in conditions requiring immediate IgG reduction. Compared to the analog of Idefirix®, KJ103 achieves faster IgG-degrading onset and a higher cleavage rate at equivalent doses. This is primarily attributable to the lower prevalence and titers of pre-existing anti-KJ103 antibodies, which allows KJ103 to maintain its enzymatic activity without interference. Following KJ103 administration, IgG levels remain significantly reduced for up to one week, with an average decrease exceeding 70%. This sustained reduction provides

a wider therapeutic window. The following diagram sets forth the changes in IgG levels of the 0.25mg/kg dose group in its Phase I trial in China:



Source: Company data

Broad indication and use expansion potential

On account of its highly specific and efficient IgG-cleaving activity, KJ103 is well-positioned as a versatile therapeutic agent across a range of conditions where IgG plays a pathological role. In organ transplantation, particularly in highly sensitized patients, KJ103 can create an earlier transplant window by effectively eliminating DSAs and reducing the risk of rejection. Given its ability to degrade all subclasses of IgG, KJ103 has the potential to expand into other organ transplantation indications, including xenotransplantation. With a rapid onset of action, KJ103 can also provide swift relief in diseases requiring immediate immunomodulation, such as in acute flare-ups of autoimmune diseases. KJ103 holds great promise in managing a spectrum of autoimmune diseases by inactivating pathogenic IgG antibodies, including, without limitation, anti-GBM disease, GBS, and hundreds of other acute autoimmune disorders driven by autoantibodies. Moreover, we are actively exploring the combination therapy integrating KJ103 and recombinant antibodies resistant to enzymatic degradation, particularly our proprietary anti-CD20 and anti-CD154 antibodies, by utilizing our Robust-Hinge platform. This approach aims to harness the complementary strengths of different therapeutic modalities, targeting multiple layers of autoimmune pathology to provide a more effective strategy. This broad therapeutic scope highlights KJ103's potential as a transformative alternative for managing immune-mediated conditions.

Summary of Clinical Trial Results

Ongoing Phase II/III clinical trial of KJ103 for desensitization therapy in highly sensitized patients awaiting kidney transplantation in China (CTR20234137)

This is an open-label single-arm, multi-center Phase II/III study to evaluate the efficacy, safety, PK and immunogenicity of KJ103 for desensitization therapy in highly sensitized patients awaiting kidney transplantation in China.

Trial design. This study aims to evaluate the reduction of pre-existing DSA to an acceptable level (from MFI > 3000 to an average MFI ≤ 3000) for transplantation within 24 hours following KJ103 administration in highly sensitized patients awaiting kidney transplantation and the successful completion of transplantation (i.e., no acute rejection within 24 hours post-transplantation) as its primary endpoint. Additional doses may be administered within 24 hours after the first dose if the desired desensitization effect is not achieved. Secondary endpoints for the study involve assessing the safety outcomes, changes in PRA and DSA levels, kidney function post-transplantation, as well as the PK, PD and immunogenicity of KJ103. The Phase II portion of this trial is expected to enroll 8 to 10 subjects, and 9 subjects were actually enrolled. The Phase III portion of this trial is expected to enroll 40 subjects.

Trial status. The Phase II portion of this study was initiated in December 2023 and completed in September 2024. We expect to commence the Phase III portion of this study in the first half of 2025.

Safety results. The Phase II portion of this study suggested that KJ103 was generally safe and well-tolerated by all subjects. Six out of nine subjects successfully underwent kidney transplantation without experiencing hyperacute rejection and three subjects did not undergo transplantation for lack of available kidney donors. No antibody-mediated rejection were reported at 6 to 12 months post-transplantation.

Efficacy results. In its completed Phase II portion, KJ103 resulted in the rapid and efficient reduction or clearance of HLA-I and HLA-II antibodies, with a 100% success rate in desensitization within 24 hours of administration. There was no incidence of hyperacute rejection following kidney transplantation, and KJ103 administration achieved 100% graft survival rate at 6 to 12 months post-transplantation and 100% survival rate for transplant recipients.

Ongoing Phase II clinical trial of KJ103 in patients with anti-GBM disease in China (CTR20243543)

This is an open-label, single-arm Phase II study to evaluate the preliminary efficacy, safety, PK, PD and immunogenicity of KJ103 in patients with anti-GBM disease in China.

Trial design. The trial is expected to enroll 9 to 12 subjects diagnosed with anti-GBM disease. Subjects will receive an initial dose of 0.25 mg/kg KJ103, followed by a supplemental 0.15 mg/kg dose of KJ103 on Day 8 to prevent a rebound of anti-GBM antibodies. The levels of anti-GBM antibodies in their bodies will be continuously monitored throughout the trial, and the dosing interval may be adjusted accordingly. The primary endpoint of the trial is to assess the need for dialysis after 3 and 6 months. Secondary endpoints include renal function as estimated by estimated glomerular filtration rate (eGFR), safety, PK, PD and immunogenicity.

Trial status. The trial was initiated in October 2024 and is currently ongoing. As of the Latest Practicable Date, we have enrolled 8 out of the planned 9 to 12 subjects. We expect to conclude this trial by the end of 2025.

Completed Phase I clinical trial of KJ103 in healthy adults in New Zealand (NCT05274659)

This is a randomized, single-blinded, placebo controlled, single ascending dose Phase I study to evaluate the safety, tolerability, PK and PD and immunogenicity of KJ103 in healthy subjects in New Zealand.

Trial design. This study enrolled a total of 34 healthy subjects in five dose levels (0.01 mg/kg, 0.04 mg/kg, 0.12 mg/kg, 0.25 mg/kg and 0.40 mg/kg) based upon the actual body weight of these participants. A total of 2 subjects were enrolled in the 0.01 mg/kg dose group, while 8 subjects were enrolled in each of the other dose groups. In the 0.01 mg/kg group, the two subjects were administered KJ103 sequentially with a minimum dosing interval of 48 hours. For each of the remaining dose groups, six subjects received KJ103, and two subjects were administered placebo, following a sentinel dosing protocol. On Day 1, two subjects were dosed with either KJ103 or placebo to monitor potential acute adverse reactions (≥ Grade 2). The remaining six subjects were dosed with KJ103 (≥48 hours after the sentinel dose) once a satisfactory safety assessment of the first two subjects was obtained by the Investigator. Sentinel dosing requirements may be modified based on emerging safety data. Safety and tolerability were closely monitored during the first 14 days following the initial dose in all subjects across each dose group. If none of the subjects in a dose group met the dose-escalation stopping criteria, dosing for the next higher dose group was initiated. The primary endpoint of this study is to evaluate the safety and tolerability of KJ103 in healthy subjects, and second endpoints include PK, PD and immunogenicity analysis.

Trial status. We have completed this study in March 2023.

Safety results. KJ103 demonstrated favorable safety and tolerability following a single intravenous administration in healthy subjects. No DLT was observed, and the MTD was not reached even at the highest dose level of 0.4 mg/kg. The positive rate of pre-existing anti-drug antibodies for KJ103 was 38.2%, significantly lower than that of Idefirix® at 90% according to public clinical data. Most AEs reported during the study were grade 1 and only one subject from 0.4 mg/kg group experienced grade 2 infusion related reaction without using antihistamine drugs and glucocorticoids in advance in this Phase I study. All AEs in the trial were manageable. No other related or severe infection events were reported.

PD: A dose of 0.25 mg/kg achieved optimal does efficacy, efficiently, rapidly, and specifically cleaving human IgG. At this dose, KJ103 degraded 83% IgG within 1 hour and 90% within 6 hours post-administration and maintained a low IgG level (with an average reduction of over 70%) for up to one week.

Conclusion. The trial results indicated that KJ103 can rapidly reduce IgG and maintained levels for one week. The 0.01 to 0.40 mg/kg dose range of KJ103 had a favorable safety and tolerability profile in healthy subjects.

Completed Phase I clinical trial of KJ103 in healthy adults in China (CTR20222595)

This is a randomized, double-blinded, placebo controlled, single ascending dose Phase I study to evaluate the safety, tolerability, PK, PD and immunogenicity of KJ103 in healthy subjects in China.

Trial design. This study enrolled a total of 34 healthy subjects in five dose levels (0.01 mg/kg, 0.04 mg/kg, 0.12 mg/kg, 0.25 mg/kg and 0.40 mg/kg) based upon the actual body weight of these participants. A total of 2 subjects were enrolled in the 0.01 mg/kg dose group, while 8 subjects were enrolled in each of the other dose groups. In the 0.01 mg/kg group, the two subjects were administered KJ103 sequentially with a minimum dosing interval of 24 hours. For each of the remaining dose groups, six subjects received KJ103, and two subjects were administered placebo, following a sentinel dosing protocol. On Day 1, two subjects were dosed with either KJ103 or placebo to monitor potential acute adverse reactions (≥ Grade 3). Among the remaining six subjects, five subjects were dosed with KJ103 and one subject was dosed with placebo on Day 2 (≥ 24 ± 2 hours after the sentinel dose). Safety and tolerability were closely monitored during the first 7 days following the initial dose in all subjects across each dose group. If none of the subjects in a dose group met the dose-escalation stopping criteria, dosing for the next higher dose group would be initiated. The primary endpoint of this study is to evaluate the safety and tolerability of KJ103 in healthy subjects, and second endpoints include PK, PD and immunogenicity analysis.

Trial status. We have completed this study in March 2023.

Safety results. KJ103 demonstrated favorable safety and tolerability in the clinical results. None of the 34 subjects experienced any events meeting the dose-escalation stopping criteria during the DLT observation period. No DLT or TEAEs (≥ Grade 3) were observed. Among 9 out 34 subjects (26.5%) experiencing TRAEs in the trial, the majority experienced TRAEs of Grade 1 and only one subject (2.9%) experienced lymphocyte count reduction as a Grade 2 TRAE, indicating a manageable safety and tolerability profile of KJ103. No severe infection was reported. KJ103 also demonstrated low levels of pre-existing anti-drug antibodies with a positive rate of 29.4%, significantly lower than that of Idefirix® at 90% according to publicly available data.

PD: The administration of KJ103 results in a dose-dependent reduction in IgG levels in the subjects. Subjects in the 0.12 mg/kg, 0.25 mg/kg and 0.4 mg/kg dose groups exhibited efficient IgG degradation in their bodies following KJ103 administration, with IgG levels decreasing by 91% within 1 hour and 95% within 6 hours post-dose and maintaining sustained low IgG levels (with an average reduction of over 70%) for up to one week.

Conclusion. The trial results indicated that KJ103 can degrade human IgG antibodies efficiently, rapidly and specifically within a short period following the administration, while maintaining a low IgG level for one week. The 0.01 to 0.40 mg/kg dose range of KJ103 had a favorable safety and tolerability profile in healthy subjects.

Clinical Development Plan

To fully unlock the therapeutic potential of KJ103, we are actively advancing the clinical development of this agent across a range of indications, particularly in kidney transplantation desensitization and autoimmune diseases, both in China and globally. With respect to kidney transplantation desensitization, we have completed the Phase II portion of the Phase II/III study in highly sensitized patients awaiting kidney transplantation in China in September 2024, following which we expect to initiate the Phase III portion in the first half of 2025. With respect to pathological IgG-mediated autoimmune diseases, we expect to complete the ongoing Phase II study in anti-GBM disease in China by the end of 2025.

License, Rights and Obligations

We are developing KJ103 in-house and own the global rights to develop and commercialize KJ103.

Material Communications with Competent Authorities

We received IND approvals from the MEDSAFE in March 2022, from the FDA in May 2022 and from the NMPA in August 2022, pursuant to which we initiated two Phase I clinical trials of KJ103 in New Zealand and China and completed both trials in March 2023.

Leveraging the clinical data in our trials in New Zealand and China, we are conducting clinical trials targeting kidney transplantation desensitization and anti-GBM diseases in China and may proceed with subsequent clinical trial targeting acute autoimmune diseases caused by pathogenic IgG, as well as desensitizing highly HLA-sensitized patients in the U.S.

For the specific indication of kidney transplantation desensitization, we commenced a Phase II/III trial for desensitization therapy in highly sensitized patients awaiting kidney transplantation in December 2023. We also received the BTD from the NMPA for KJ103 as a potential desensitization therapy in kidney transplantation in November 2024.

For anti-GBM disease, we received the IND approval for Phase II clinical trial from the NMPA in August 2024. Upon approval, we initiated a Phase II trial of KJ103 in patients with anti-GBM disease in China in October 2024.

For GBS, we expect to submit the IND application for a Phase II trial of KJ103 in China in the first half of 2025. We also expect to submit the IND application for a phase II trial of KJ103 to the FDA in the first half of 2026 in the U.S.

As of the Latest Practicable Date, we had not received any regulatory agency's concerns or objections to our clinical development plans for KJ103.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET KJ103 SUCCESSFULLY.

Antibody Resistant to Enzymatic Degradation

As demonstrated by its clinical data, KJ103 can rapidly lower IgG levels, thereby mitigating the pathogenic immune responses associated with antibody-mediated acute autoimmune conditions. Based on the properties of KJ103 and its anticipated clinical applications, we diversified our pipeline in the area of antibody-mediated acute auto-immune diseases by developing BJ045 and BJ047, using our Robust-Hinge platform. BJ045 and BJ047 are recombinant antibodies resistant to enzymatic degradation, targeting CD20 and CD154, respectively. They are expected to accelerate the onset of action when used in combination with KJ103, offering a more effective treatment strategy compared to conventional anti-CD20 or anti-CD154 antibodies.

Antibody therapies targeting B cells, such as CD20, are commonly used following the onset of antibody-mediated acute autoimmune disorders or during transplantation. However, these therapies often fail to effectively slow disease progression or prevent further deterioration and typically require plasma exchange, as they primarily inhibit the production of newly formed antibodies without eliminating pre-existing pathogenic antibodies in the patient's body. In contrast, when combined with IgG-degrading enzymes like KJ103, BJ045 produces a synergistic therapeutic effect by both depleting B cells that produce pre-existing IgG antibodies and rapidly reducing IgG levels. Meanwhile, the inclusion of anti-CD154 antibodies resistant to enzymatic degradation, such as BJ047, is expected to block antigen presentation to B cells during transplantation, inducing antigen-specific immune tolerance.

BJ045

BJ045 is a SC administered anti-CD20 antibody resistant to enzyme degradation by KJ103 with the potential in treatment of moderate-to-severe autoimmune diseases in combination use with KJ103. Developed through our Robust-Hinge platform, BJ045 could specifically bind to CD20, a B cell-specific cell surface antigen that is expressed at main stages of B cell development. Its combination use with KJ103 that introduces cleavage to the existing pool of IgG antibodies such as anti-acetylcholine receptor (AChR) IgG will further produce complementary benefits in reducing both the source and effect of the pathogenic antibodies in myasthenic crisis. In addition, leveraging our competitiveness in SC drug delivery candidates, the SC administration modality of BJ045 could potentially improve treatment experience and patient compliance that address large unmet needs in the anti-CD20 antibody market.

We are currently developing BJ045 in the preclinical stage. We expect to submit its IND application to the NMPA in the first half of 2026.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET BJ045 SUCCESSFULLY.

BJ047

BJ047 is a SC administered anti-CD154 antibody resistant to enzyme degradation by KJ103 developed for solid organ transplantation, xenotransplantation, and autoimmune diseases, including Lupus Nephritis and multiple sclerosis. Developed through our Robust-Hinge platform, BJ047 works by inhibiting the interaction between CD154, a glycoprotein (also known as CD40 ligand) expressed by activated T cells, and CD40 expressed on antigen presenting cells (APC) including B cells, monocytes and dendritic cells. The inhibition of T cell-APC cognate interactions helps prevent xenograft rejection and the production of anti-xenograft antibodies, reducing antibody-mediated rejection (AMR). BJ047's resistance to enzyme degradation further leads to an increased stability against breakdown by enzymes in the body, ensuring sustained immune suppression and promoting xenograft survival over time. This contributes to a synergic effect in its target indications. For example, its combination use with KJ103, which effectively degrades anti-xenograft antibodies, will further contribute to the reduction of both the source and effect of the pathogenic antibodies in xenotransplantation. Additionally, with superior convenience and treatment flexibility, BJ047 has the potential to stand out in the market as an easy-to-use SC administration option.

We are currently developing BJ047 in the preclinical stage. We expect to submit its IND application to the NMPA in the first half of 2026.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET BJ047 SUCCESSFULLY.

Potential application in transplantation

In addition to KJ103's clinical application in allograft, our pipeline in antibody-mediated conditions reveals potential in xenotransplantation. Xenotransplantation is similar to highly sensitized human transplantation. In xenotransplantation, the innate and adaptive immune systems collaborate to generate a complex immune response. As part of the innate immune system, pre-existing natural IgG antibodies in the recipient's body interact with the donor tissue, triggering a rapid and intense rejection response. The adaptive immune system, through specific antigen recognition, initiates T-cell responses or activates B-cells to secrete IgG antibodies. The interaction between these immune mechanisms contributes to the diversity and complexity of xenograft rejection, posing a significant challenge to the survival of transplanted organs. In pig-to-human organ transplantation, a severe antibody-mediated hyperacute graft rejection can occur, where antibodies bind to the donor's vascular endothelial cells, disrupting vascular permeability, causing microvascular thrombosis and other forms of tissue damage, all of which may result in graft loss.

Recent global advancements in xenotransplantation signal vast market potential and opportunities for exploration. For example, in December 2024, NYU Langone Health announced the discharge of the world's third gene-edited pig kidney transplant recipient. Our product portfolio, including KJ103, antibodies resistant to enzyme degradation as well as the potential IgM-degrading enzymes, for antibody-mediated autoimmune conditions demonstrate high potential in addressing this emerging market opportunity. Notably, in a recent study, 4 mg/kg of our KJ103 was injected into a rhesus monkey who received a xenogeneic pig kidney transplant after the removal of its native bilateral kidneys, on the day when this monkey was in life-threatening condition. Following the treatment of KJ103, IgG antibodies in the monkey's circulation were rapidly degraded through enzymatic activity, leading to significant improvements in laboratory test parameters, as outlined in the table below. This monkey's extended survival ultimately surpassed all previous records for xenotransplantation of gene-edited pig kidneys into macaques in China.

Parameters (Unit)	Day 179 (Pre-treatment)	Day 180 (Post-treatment)
SCr (μmol/L)	3,998	2,189
UTP (mg/L)	7,660	356
mAlb (mg/L)	6,107.4	244.0
uACR (μg/mg)	13,493.4	984.6
uPCR (μg/mg)	16,955.38	1,439.22

Note: SCr refers to serum creatinine; UTP refers to urinary total protein; mAlb refers to urinary microalbumin; uACR refers to urine albumin-creatinine ratio; uPCR refers to urine protein-creatinine ratio.

Source: Company data

Drugs in Assisted Reproduction

SJ02 — a long-acting recombinant human FSH-CTP, our Core Product

Overview

SJ02 is a long-acting recombinant human follicle-stimulating hormone carboxyl-terminal peptide fusion protein (FSH-CTP) designed for controlled ovarian stimulation (COS) in combination with a gonadotropin-releasing hormone (GnRH) antagonist. This treatment regimen effectively stimulates multiple follicular development in female undergoing superovulation or assisted reproductive technology (ART) procedures.

Built upon the traditional short-acting FSH, SJ02 has been structurally enhanced by fusing the CTP sequence of human chorionic gonadotropin (hCG) β subunit to the C-terminus of the FSH β subunit. This modification significantly prolongs the *in vivo* half-life of FSH by two to three times without affecting its functionality. The long-acting nature of SJ02 enables a single injection to replace up to seven days of daily injections required with short-acting FSH. By extending the dosing interval from daily to weekly, SJ02 can offer greater convenience, minimize injection-related discomfort, and enhance the overall treatment experience and quality of life for patients.

We completed a Phase II/III clinical trial of SJ02 in subjects undergoing ART in China in December 2022. We subsequently filed a NDA for the same indication with the NMPA in December 2023, which was accepted in January 2024. We expect to receive the corresponding approval in 2025. According to Frost & Sullivan, SJ02 is potentially the first long-acting FSH product to be approved in China. In Europe, we plan to submit the IND application for SJ02 to the EMA in the first half of 2026.

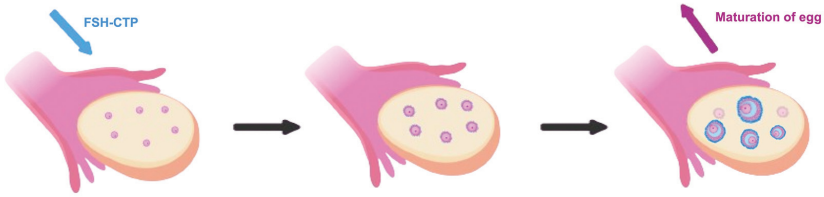
In September 2024, we entered into a license and commercialization agreement with Group A, pursuant to which we granted Group A an exclusive license to develop, manufacture and commercialize SJ02 for the fertility treatment to stimulate the development of eggs in the ovaries in humans in China. See "— Collaboration Agreements — License and Commercialization Agreement with Group A" for more information.

Mechanism of Action

FSH is a glycoprotein hormone secreted by pituitary glands that is essential for human reproduction. It functions as a stimulator of the ovarian follicles maturation in women and spermatogenesis in men, and is thus widely used in infertility treatment, such as controlled ovarian stimulation in ART.

Similar to other glycoprotein hormones, FSH consists of two polypeptide subunits, namely (i) an alpha (α) unit, which is identical to those of other glycoprotein hormones, and (ii) a beta (β) subunit, which determines its biological specificity and facilitates receptor binding. The glycosylation of the beta subunit plays a critical role in regulating the half-life of FSH and other glycoprotein hormones. Using recombinant DNA technology, additional glycosylation can be introduced by fusing the FSH-β subunit with the CTP sequence of the hCG-β subunit, which is heavily O-glycosylated and thus responsible for hCG's extended half-life.

The mechanism of action of SJ02 involves such fusion of the CTP sequence to the FSH-β subunit. Composed of a native FSH-α subunit and a hybrid FSH-β subunit, SJ02 retains the pharmacologic activity of FSH and its ability of receptor binding while offering slower absorption and a longer elimination half-life, contributing to sustained activity. Since FSH release is primarily triggered by GnRH, SJ02 can be used in combination with GnRH antagonists for controlled ovarian stimulation, promoting the development of multiple follicles and inducing ovulation with a sustained multimolecular stimulation. The following diagram illustrates such mechanism of action of SJ02:



Market Opportunities and Competition

Currently, there are two main categories of recombinant human FSH available on the market, namely short-acting FSH and long-acting FSH-CTP. In China, the FSH market was RMB3.2 billion in 2023, and is projected to reach RMB6.9 billion by 2028 and further expected to RMB10.7 billion in 2033. The clinical demand for long-acting FSH drugs in assisted reproduction has persisted for years, yet no such products are currently approved for use in China. As of the Latest Practicable Date, there is no recombinant human FSH-CTP product marketed in China.

The table below sets forth details of marketed recombinant human FSH in China:

Drug name	Generic name	Company	First approval date
GONAL-f®	Recombinant Human Follitropin Injection	Merck	2000/04/26
PUREGON®	Recombinant Follitropin Beta Injection	Organon	2005/10/28
Jinsaiheng®	Recombinant Human Follitropin for Injection	GenSci	2015/05/27
Follitrope®	Recombinant Human Follitropin Prefilled Syringe	LG Chem	2021/04/07
Anxinbao®	Recombinant Human Follitropin for Injection	Qilu Pharmaceutical	2021/12/14
Rekovelle®	Human Follitropin delta injection	Ferring Pharma	2024/05/09

Source: NMPA, Frost & Sullivan analysis
Note: As of January 14, 2025

As of the Latest Practicable Date, Elonva®, received approval in EU market, is the first and only marketed long-acting FSH-CTP globally and has yet to be made available in China. In China, there are five short-acting FSH candidates and four FSH-CTP candidates in clinical stage. Our Company's SJ02 is positioned the most clinically advanced FSH-CTP products in China.

The following diagram illustrates the details of marketed FSH-CTP product globally:

Generic Name	Drug Name	Company	Target	Indications	Approved Date
Corifollitropin alfa	Elonva	MSD	FSHR	Hypogonadotropic hypogonadism, ovulation induction	2010/01/25

Source: Frost & Sullivan analysis
Note: As of January 14, 2025

The following diagram illustrates the details of clinical-stage FSH-CTP candidates in China:

Drug Name	Company	Target	Indications	Stage	Approved Date / Frist Post Date
SJ02	**Our Company**	FSHR	Ovulation induction	NDA	2024/01/19
SAL016	Salubris	FSHR	For patients undergoing superovulation or assisted reproductive technology (ART)	NDA	2024/07/18
Follitropin	SL Pharm	FSHR	For patients undergoing superovulation or assisted reproductive technology (ART)	III	2023/01/27
Recombinant human FSH-CTP fusion protein	Suzhou Jingze Biopharm	FSHR	Ovulation induction	IND	2025/01/07

Source: Clinicaltrials.gov, CDE, NMPA, Frost & Sullivan analysis
Note: As of January 14, 2025

Competitive Advantages

Long-acting formulation leading to reduced injection frequency

Short-acting FSH products, though commonly used in fertility treatments, can be burdensome for patients due to their daily injection schedule, leading to poor adherence, discomfort, and an increased risk of missed doses, which ultimately results in suboptimal therapeutic outcomes. Our SJ02, with its long-acting nature, is specifically designed to address these limitations, by notably reducing injection frequency and providing a more convenient treatment option in assisted reproduction.

Unlike traditional short-acting FSH, which requires daily injections for 10 to 14 consecutive days, SJ02 offers an alternative of a single subcutaneous injection that enables sustained stimulation of multiple follicular development for up to one week. This superior clinical performance of SJ02 is attributable to its innovative FSH-CTP structure that leads to a two- to three-fold prolonged half-life compared to traditional short-acting FSH. Additionally, SJ02 will be supplied in a pre-filled syringe, preloaded with the required dosage for ease of administration. By reducing the need for seven daily injections, SJ02 significantly lowers the treatment burden, offering patients enhanced convenience and improved compliance.

Favorable efficacy and safety profiles

In its Phase II/III trial, SJ02 has demonstrated non-inferior clinical efficacy compared to Gonal-f®, a well-established product in the field of ART. SJ02 has been proven to effectively induce multiple follicle development during controlled ovarian hyperstimulation, delivering therapeutic outcomes equivalent to existing trusted short-acting FSH treatments. This ensures that patients receive reliable and effective support for their ART cycles.

In addition to its encouraging efficacy, SJ02 boasts a safety profile comparable to Gonal-f®, providing confidence in its use for COS. Primary AEs observed in the Phase II/III trial of SJ02 were Grade 1 or 2 and were manageable. The treatment is well-tolerated, with no significant differences in AEs observed between the two therapies. The safety results of SJ02 were also consistent with the relevant description of AEs in the package insert of Elonva®, a FSH-CTP counterpart approved in the European markets. This combination of efficacy and safety positions SJ02 as a strong alternative to traditional FSH therapies, meeting clinical needs while ensuring patient well-being.

Large market potential validated by strategic partnerships

In recognition of the strong clinical and commercial potential of SJ02, Group A has reached collaboration with us for an exclusive license to develop, manufacture and commercialize SJ02 for its fertility treatment in China. In partial consideration of such grant of license, we are entitled to up to US$182 million in upfront and milestone payments, plus ten percent sales royalties. We also entered into a separate manufacturing and supply agreement with Group A to remain responsible for the manufacture and supply of, and Group A shall purchase from us, SJ02 to be commercialized in China. This strategic partnership not only promises sustainable and predictable revenue streams but also enables us to harness Group A's established expertise and resources in reproductive medicine to navigate China's rapidly expanding fertility market. With its advanced clinical progress, compelling product profile, and the validation of our collaboration with Group A, we believe that SJ02 is poised to spearhead the transition from short-acting to long-acting FSH products in China, capturing a significant share of this growing market segment.

Summary of Clinical Trial Results

Completed Phase II/III clinical trial of SJ02 in subjects undergoing ART in China (CTR20201374)

This trial is to evaluate the efficacy and safety of SJ02 in subjects undergoing ART in China.

Trial design. The Phase II/III evaluated the efficacy and safety of SJ02 in subjects undergoing ART. The SJ02 treatment was delivered via a single subcutaneous injection. The primary endpoint of this study is the number of oocytes retrieved on the retrieval day to assess the efficacy outcomes. Other study endpoints include further analysis of the safety profile.

Trial status. We have completed this study in December 2022, with a total of 374 female subjects enrolled.

Efficacy results. The trial results demonstrated that single-dose SJ02 was non-inferior to Gonal-f® on the primary endpoint of the number of oocytes retrieved, indicating that SJ02 had a non-inferior efficacy compared to Gonal-f®.

Safety results. The trial results demonstrated that SJ02 has a comparable safety profile to Gonal-f®. Primary reported AEs for SJ02 in the trial were Grade 1 or 2 and were manageable, consistent with the type and frequency observed with Gonal-f® and comparable between arms of the trial.

Conclusion. SJ02 has exhibited non-inferior clinical efficacy compared to Gonal-f® and has a comparable safety profile. SJ02 represents a promising alternative to short-acting FSH products currently available on the market, by significantly streamlining the treatment process, reducing injection-related discomfort, and enhancing patient compliance.

Clinical Development Plan

To broaden the clinical application and accessibility of this promising drug candidate in international markets, we are strategically advancing the overseas development of SJ02. We plan to develop SJ02 as a biosimilar in Europe and other jurisdictions, with plans to conduct multicenter clinical trials and preparation for registration filings for SJ02. In particular, we expect to submit the IND application for SJ02 to the EMA in the first half of 2026 in Europe.

License, Rights and Obligations

We entered into a license and commercialization agreement with Group A in September 2024, pursuant to which we granted Group A an exclusive license to develop, manufacture and commercialize SJ02 for the fertility treatment to stimulate the development of eggs in the ovaries in humans in China. See "— Collaboration Agreements — License and Commercialization Agreement with Group A" for details.

Material Communications with Competent Authorities

We received the IND approval for SJ02 from the NMPA in February 2018, pursuant to which we initiated a Phase I clinical trial in healthy female and Phase II, Phase III clinical trial in female subjects undergoing ART in China. We completed the Phase I, Phase II, and Phase III trials in March 2020, April 2021, and December 2022, respectively.

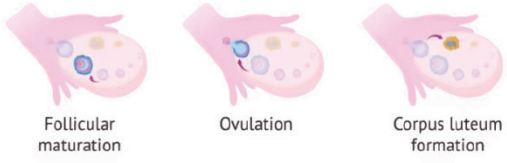
We subsequently filed a NDA for SJ02 with the NMPA in December 2023, which was accepted by the NMPA in January 2024. We expect to receive the corresponding approval in 2025.

As of the Latest Practicable Date, we had not received any regulatory agency's concerns or objections to our clinical development plans for SJ02.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET SJ02 SUCCESSFULLY.

SJ04 — a recombinant human chorionic gonadotropin

SJ04 is a recombinant human chorionic gonadotropin (hCG) and can be used in assisted reproductive procedures to accelerate follicle maturation and induce ovulation. Additionally, it is suitable for treating prepubertal cryptorchidism, male hypogonadotropic hypogonadism, luteal phase deficiency, and dysfunctional uterine bleeding. It is a kind of glycoprotein hormone that stimulates gonadal activity. In male, it stimulates seminiferous tubule function and Leydig cell activity, resulting in increased androgen production, while promoting testicular descent and supporting spermatogenesis, thereby treating certain diseases such as prepubertal cryptorchidism or male hypogonadotropic hypogonadism. In female, SJ04 promotes follicular maturation and triggers ovulation, while facilitating the transformation of ruptured follicles into functional corpus luteum for enhanced progesterone secretion. Thus, it enhances endometrial development for improved reproductive outcomes in people with luteal phase deficiency and helps establish regular menstrual cycles through normalized hormonal patterns for people with dysfunctional uterine bleeding. The following diagram illustrates such mechanism of action of SJ04:



SJ04 is a biosimilar of Ovidrel®. Ovidrel®, developed by Merck Serono S.A, is a recombinant hCG injection known for its excellent efficacy and safety profile. We have conducted comprehensive pharmaceutical comparison studies for SJ04 and Ovidrel®, and completed non-clinical comparative studies have demonstrated that SJ04 possesses pharmaceutical properties highly similar to Ovidrel®, with a favorable efficacy and safety profile. Pharmaceutical and non-clinical data from these studies have already demonstrated that SJ04 highly similar with that of Ovidrel®, suggesting promising potential for its development as a recombinant chorionic gonadotropin. In addition, leveraging our advanced manufacturing platform and large-scale production capabilities, we are well-positioned to achieve mass production of SJ04 in the future. By combining a comprehensive product portfolio with our strong brand advantages, we are committed to driving significant growth in SJ04's market presence and achieving scalable expansion.

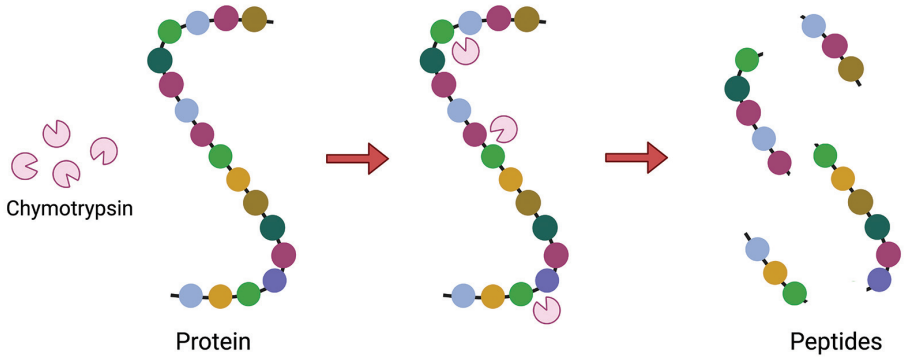
We are developing SJ04 in-house and own the global rights to develop and commercialize SJ04. We obtained the IND approval from the NMPA for SJ04 in May 2024. Subsequently, we commenced a Phase I clinical trial for SJ04 in August 2024 in China. As of the Latest Practicable Date, we have enrolled 5 subjects. We plan to complete the Phase I clinical trial in 2025 and will initiate Phase III trial after the completion of Phase I trial. We had not received any regulatory agency's concerns or objections to our clinical development plans as of the Latest Practicable Date.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET SJ04 SUCCESSFULLY.

Recombinant Biologics Alternative to Biochemical Production

KJ101 — a recombinant human chymotrypsin

KJ101 is a leading recombinant human chymotrypsin in China, which is designed for wound healing for burn injuries, traumatic injuries, surgical incision, pressure sores and diabetic foot ulcers, among others. It acts by selectively hydrolyzing peptide bonds at the carboxyl side of aromatic amino acids like tyrosine, phenylalanine, and tryptophan within denatured proteins and necrotic tissue. This precise proteolytic activity enables KJ101 to degrade fibrin, collagen fragments, and other proteinaceous debris that accumulate in chronic or acute wounds. By clearing necrotic debris, KJ101 facilitates the formation of granulation tissue and accelerates wound healing. Additionally, KJ101 exhibits anti-inflammatory properties, which can help reduce inflammation and promote tissue repair, making it useful in the treatment of various conditions, including inflammatory diseases and certain types of injuries. The following diagram illustrates the mechanism of action of KJ101:



Chymotrypsin is a proteolytic enzyme capable of rapidly breaking down proteins and liquifying pus and necrotic tissues. This enzyme has historically been extracted from bovine or porcine pancreas tissue, which poses challenges such as low yield, inconsistent quality and potential contamination with pathogens. Built upon our proprietary green recombinant yeast fermentation technology, KJ101 provides a purer, safer and more scalable alternative with high expression levels, compared to its biochemically extracted counterparts. Unlike traditional chymotrypsin extracted from animal materials, KJ101 is developed through synthetic biology, which ensures a higher level of safety as it eliminates the risk of zoonotic and potential pathogen contamination associated with animal-derived products. KJ101's human recombinant origin also significantly lowers the risk of immunogenic reactions, further enhancing its safety profile for repeated use. Additionally, recombinant production ensures batch-to-batch consistency in purity, activity and formulation, minimizing variability often seen in biochemically extracted products.

In addition, leveraging our proprietary green recombinant yeast fermentation technology, KJ101 boasts high expression levels, which could translate to lower production costs. This efficiency in manufacturing makes it more economically viable compared to other chymotrypsin products requiring extraction from animal tissues. Additionally, as a recombinant product, KJ101 is not subject to the limitations of animal organ sourcing, which can be variable and ethically contentious. Backboned by our commercial-scale manufacturing capabilities, we believe that KJ101 is well-positioned to capitalize on this substantially underserved market through a reliable and scalable supply.

According to Frost & Sullivan, the chymotrypsin market in China reached RMB1.6 billion in 2023, and is projected to reach RMB2.5 billion in 2028, RMB3.4 billion in 2033. KJ101 is a leading recombinant human chymotrypsin developed through synthetic biology globally. We are developing KJ101 in-house and own the global rights to develop and commercialize KJ101. We have submitted the IND for KJ101 in China to the NMPA in November 2024, and expect to obtain the IND approval in the first half of 2025. As of the Latest Practicable Date, we had not received any regulatory agency's concerns or objections to our clinical development plans for KJ101.

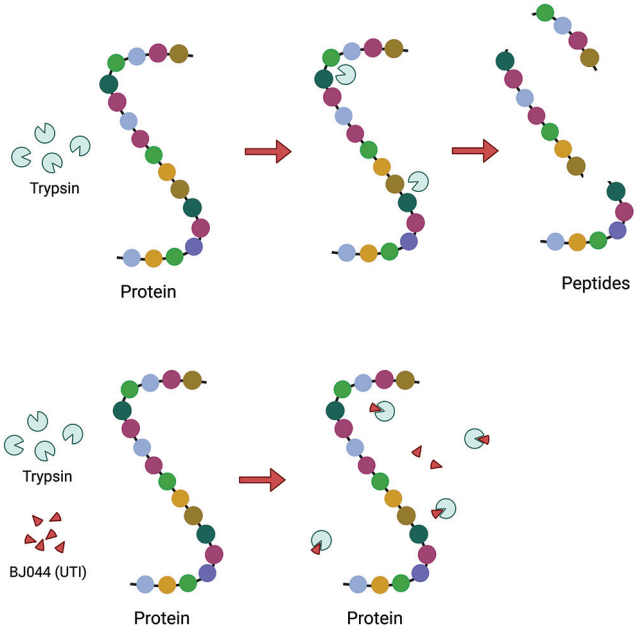
WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET KJ101 SUCCESSFULLY.

BJ044 — a recombinant ulinastatin

Overview

BJ044 is potentially the only recombinant ulinastatin developed through synthetic biology in China and globally, as currently no other recombinant ulinastatin products are known to be commercially available or undergoing clinical trials. Ulinastatin, also known as bikunin, is a glycoprotein with strong inhibitory activity, first discovered in human urine in 1909. It is composed of two sequential Kunitz-type protease inhibitor domains, and functions as a serine protease inhibitor. Ulinastatin can be extensively used in clinical settings, such as the treatment of acute pancreatitis, chronic recurrent pancreatitis and acute circulatory failure. Derived from its potent enzyme-inhibiting and anti-inflammatory properties, Ulinastatin has gained widespread uses in the treatment of a range of critical and life-threatening conditions with promising clinical outcomes, including sepsis, severe pneumonia, acute respiratory distress syndrome (ARDS), acute poisoning, severe heatstroke, burns, and severe traumas. Further, recombinant ulinastatin demonstrates significant advantages in high purity, consistency, cost-efficiency, and eliminates ethical concerns associated with traditional methods of biochemical extraction.

BJ044 is a small circulating proteoglycan found in urine as urinary trypsin inhibitor, and also in amniotic fluid as serine protease inhibitor. BJ044 is engineered to simulate the effects of urinary ulinastatin, which is secreted when inter-α-trypsin inhibitors are degraded by neutrophil elastase. It works by inhibiting the proteolytic activity of various serine proteases, including trypsin, thrombin, kallikrein, neutrophil elastase, plasmin, cathepsin, and coagulation factors IXa, Xa, Xia, and XIIa. These proteases can cause damage to tissues and organs when overactive or released inappropriately, as seen in inflammatory or pathological conditions. The multivalent nature of protease inhibition enables ulinastatin to help prevent such organ injury. In addition, ulinastatin can attenuate the elevation of pro-inflammatory cytokines and inhibit secretion of pro-inflammatory cytokines IL-6 and IL-8. As a result, ulinastatin provides protections against tissues, organs and endothelial cell and generates anti-inflammatory effects. The following diagram illustrates the mechanism of action of BJ044:



Most currently marketed ulinastatin products are derived from human urine through extraction and purification processes. The market size of ulinastatin in China was RMB1,343.1 million in 2018 and RMB1,156.4 million in 2023, and is expected to reach RMB1,513.2 million in 2028 and RMB2,127.4 million in 2033. Currently marketed ulinastatin products derived from human urine rely on an unstandardized production process involving collecting and purifying urine, which introduces risks of viral contamination and batch-to-batch quality inconsistencies. In contrast, recombinant form of ulinastatin, such as BJ044, are designed to overcome these limitations, offering a more consistent and efficient production method. Recombinant technology utilized by BJ044 also allows for larger-scale production, minimizing the risk of contamination and improving safety profile in clinical use. As of the Latest Practicable Date, there is no recombinant ulinastatin products marketed or under clinical stage in China and globally, recombinant ulinastatin is poised to replace the market for traditionally extracted ulinastatin, while potentially reaching even broader applications.

We are developing BJ044 in-house and own the global rights to develop and commercialize BJ044. We expect to submit an IND application to the NMPA for the Phase I clinical trial in the first half of 2026. We had not received any regulatory agency's concerns or objections to our clinical development plans as of the Latest Practicable Date.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET BJ044 SUCCESSFULLY.

OUR PLATFORMS

To date, we operate three technology platforms spanning across drug design, chassis cell engineering, and comprehensive bioprocessing, which allow us to navigate the intricate processes of bringing our transformative recombinant protein drugs from bench to bedside.

Drug Design Platform

Driven by unmet clinical needs, our approach to drug design focuses on creating tailored delivery systems and formulations that align with the unique properties of the drug and the specific requirements of the target patient population. Our strategy incorporates a thorough assessment of market potential, competitive landscape and clinical applications, enabling us to craft innovative molecular designs that meet both therapeutic and commercial goals.

In drug development, we prioritize immunogenicity, molecular stability, and cost-effective production. By harnessing AI-powered models, we integrate advanced computational simulations with experimental validation to achieve precise protein engineering and functional optimization. Data generated throughout wet-lab experiments is continuously used to refine and enhance the performance of our models, fostering an iterative and adaptive design process. This integrated strategy accelerates the drug development cycle while maintaining a commitment to quality and innovation, ensuring we deliver effective solutions that address clinical challenges and market needs.

Chassis Cell Engineering Platform

Our chassis cell engineering platform focuses on glycosylation modification and advanced expression technologies. Drawing on our extensive expertise in enzyme engineering, glycoengineering, and synthetic biology, we have achieved key breakthroughs in various fields, such as the regulation of protein translation and post-translational modifications for recombinant human hyaluronidase, Chinese Hamsters Ovary (CHO) cell glycosylation engineering, and protein high-expression technologies.

We adopt a multidisciplinary approach across three major biopharmaceutical host systems — including *E. coli, Pichia pastoris*, yeast, and CHO cell systems — to design bioparts, engineer metabolic pathways, and screen drug proteins from modified hosts. This approach allows us to express proteins in the most suitable host based on the structural and functional requirements of specific drug molecules, thereby significantly shortening the development cycle for novel therapeutics.

In particular, we have developed a CHO cell library with engineered glycosyltransferases and glycosidases to produce humanized glycoproteins with enhanced structural uniformity. This notably reduces immunogenicity, extends half-life, and improves therapeutic efficacy. Additionally, our *Pichia pastoris* cell library features expression chaperones and optimized hosts ready for immediate use in new project process research, which streamlines our drug production and accelerates project timelines.

Comprehensive Bioprocessing Platform

Our comprehensive bioprocessing platform integrates mammalian cell, yeast, and *E. coli* expression systems to support large-scale, efficient, and sustainable production of our recombinant protein drugs. We optimize production processes and equipment with a focus on environmental sustainability. By integrating high-yield strains or cells, optimized culture processes, and advanced purification technologies, we achieve scalable manufacturing capabilities with a green manufacturing edge.

Mammalian Cell Platform

Our Mammalian cell platform offers a sophisticated technology for the expression and purification of highly glycosylated recombinant proteins, effectively addressing the complex challenges associated with glycosylation in protein production. Proteins like recombinant human hyaluronidase and long-acting recombinant human FSH, which are heavily glycosylated, require precise control of their glycan structures to ensure stability, low immunogenicity, and a long half-life in vivo. This platform notably overcomes the technical barriers of glycoprotein expression, purification, and analysis, enabling the consistent production of target proteins with specific glycosylation profiles.

Our technological edge lies in the ability to introduce multiple glycosyltransferases into mammalian engineered cell lines to prepare glycoprotein drugs with high glycosylation modification. This process requires meticulous control over every step of the process to ensure stable expression of target proteins with specific glycan structures. The Mammalian cell platform employs genetic modification techniques, such as gene knock-out and knock-in, to direct the glycosylation pathways of host cells. This enables the generation of cell lines with specific glycosylation patterns, reducing the immunogenicity of therapeutic proteins and meeting various drug design requirements, such as enhancing effector functions of antibodies or extending half-life. The platform is also versatile, supporting the expression of monoclonal antibodies, bispecific antibodies, and glycosylated proteins.

As a testament to the robust engineering capabilities of the Mammalian cell platform, one of our Core Products KJ017, which is developed through this platform, significantly outperforms conventional biochemically extracted counterparts in enzyme activity and protein purity, by offering approximately 90,000 international units (IU) of activity per milligram, compared to approximately 300 units from hyaluronidase meeting the China Pharmacopeia standard, all while maintaining robust gross margin. This advanced glycosylation control ensures product quality and safety far exceeds that of conventional biochemical extraction methods.

Yeast Fermentation Platform

Our yeast fermentation platform provides a pioneering technology known for its green, high-yield, and scalable production capabilities, specifically designed to produce recombinant proteins that were previously difficult to express or secrete. This platform overcomes the technical barriers inherent in yeast-based expression systems, such as the abundance of host proteinases that degrade target proteins, and the difficulty of expressing soluble proteins in high yields. By employing advanced metabolic engineering, gene expression regulation, and chaperone protein systems, we have developed proprietary strains of yeast that enable efficient secretion of complex proteins, including KJ101, a recombinant human chymotrypsin with leading development progress in China.

Our significant technical advantage is marked by the creation of high-yield yeast strains through multi-copy integration and chaperone protein libraries, which significantly enhance protein expression and simplify the production process. This allows for large-scale fermentation (up to 10 tons) and the cost-effective production of high-quality therapeutic enzymes, antibody fusion proteins, and nanobodies. Additionally, this platform addresses the challenge of enzyme degradation by designing production lines that express inactive precursor enzymes, which are then activated during purification under strictly controlled conditions. This process ensures stability and maximizes protein yields. Our platform has also achieved substantial reduction in yeast fermentation cycle — from the industry standard of seven days to three days — along with improvements in safety and cost-effectiveness, which enable us to accelerate the scale-up of production.

Escherichia coli (E. coli) Platform

Our *E. coli* platform is a high-throughput, efficient system designed for the production of soluble, stable recombinant proteins with simplified downstream processing. One of the main challenges of using *E. coli* for protein expression is achieving soluble protein yields and effective secretion, as many proteins tend to form insoluble aggregates in prokaryotic expression systems. We notably overcome this by engineering *E. coli* strains to express proteins intracellularly in soluble form, significantly enhancing production yields and avoiding the need for refolding processes typically required for inclusion body proteins. Additionally, through optimized fermentation conditions, including adjustments to fermentation cycles and parameters, the platform ensures high protein expression efficiency and product solubility.

A key feature of our *E. coli* platform is its use of high-throughput screening to identify mutants with enhanced activity and stability, based on structural and functional analyses. This allows the generation of recombinant proteins with improved characteristics, such as higher activity and lower immunogenicity. Additionally, the platform employs stable expression plasmids that can replicate without antibiotics, ensuring a reliable production process. The use of non-IPTG induction with a safe, non-toxic inducer also boosts expression levels while meeting regulatory standards.

This combination of high-throughput screening, intracellular soluble expression, stable plasmids, and non-IPTG induction results in a highly efficient, scalable production process that delivers recombinant proteins with minimal processing requirements. A standout product from this platform is KJ103, which demonstrates the platform's ability to produce complex enzymes at high yields with exceptional stability and functionality.

The comprehensive bioprocessing platform tackles key technical challenges including, without limitation: (i) enhancing recombinant enzyme expression and addressing protein degradation in fermentation through synthetic biology and genetic engineering, thereby providing an upstream solution for efficient recombinant enzyme production; (ii) employing diverse fermentation strategies to overcome issues such as toxic byproduct accumulation, protein misfolding, and low activity during rapid cell growth, enabling stable, high-efficiency expression of target proteins using high-density synthetic biology techniques; (iii) combining different chromatographic separation techniques and utilizing customized resins to develop scalable, cost-effective processes for high-purity recombinant protein preparation; and (iv) improving volumetric productivity and developing resource-efficient, low-energy green manufacturing solutions to meet the demands of commercial-scale recombinant protein production.

RESEARCH AND DEVELOPMENT

Research and development is a fundamental pillar of our business and will continue to be critical to our future growth and our ability to remain competitive in the global markets of different fields. In 2023 and the nine months ended September 30, 2024, our research and development expenses were RMB132.5 million and RMB183.7 million, respectively.

Our in-house R&D capabilities revolve around three core technology platforms: drug design platform, chassis cell engineering platform, and comprehensive bioprocessing platform, which in turn serve as the foundation for our continued drug innovation and underpin our capabilities in transformative recombinant protein drugs. These platforms are complemented by AI-driven protein drug design capabilities, which we have been implementing for over two years with demonstrable success in protein mutation and restructuring. For details regarding our technology platforms, please see "— Our Platforms."

By integrating rigorous scientific evaluation, independent literature analysis, and market intelligence, we carefully assess potential projects based on their scientific rationale, clinical feasibility, commercial viability, and strategic fit with our existing product pipeline. This disciplined approach ensures that we focus on projects with the highest potential to address significant unmet medical needs while maintaining a balanced and diversified portfolio that mitigates risks associated with clinical and regulatory development. By continuously refining our selection criteria to incorporate emerging trends in science and medicine, we have built a robust portfolio of candidates targeting a broad range of therapeutic areas, enabling us to deliver transformative treatments while maintaining operational efficiency, cost-effectiveness, and effective risk management.

Our R&D Capabilities

Our R&D Team

As of September 30, 2024, our broader in-house R&D team, which comprised drug discovery and preclinical development, medical and clinical development, CMC, quality management, and regulatory affairs functions, consisted of an aggregate of 223 personnel, accounting for approximately 71.7% of our total employees with expertise spanning medical science, pharmacology, biology and chemistry. We place a strong emphasis on academic qualifications, industry experience and complementary expertise when building our R&D team. We have established a comprehensive and systematic framework for R&D project management that spans the entire development lifecycle from early-stage research and project initiation to proof of concept, process development, preclinical studies, and clinical trials. This framework is designed to optimize resource allocation, accelerate timelines, and enhance the probability of success across our pipeline of innovative drug candidates. Many of them have years of experience in driving drug discovery and development programs at leading MNCs and domestic biopharmaceutical companies.

Notably, our R&D leadership are industry veterans with extensive experience in leveraging synthetic biology technology and advancing recombinant biologic drugs. Our in-house R&D team is led by Ms. Wang Zheng, our Co-founder, executive Director and Chief Executive Officer, who possesses over 20 years of experience in gene-engineering drug development, with deep expertise in recombinant protein drug R&D. During the Track Record Period and up to the Latest Practicable Date, substantially all key R&D personnel involved in the research and development of our Core Products, KJ017, KJ103 and SJ02, remained employed by us.

Clinical Trials

Our clinical development capabilities encompass comprehensive trial management and execution. As of September 30, 2024, our clinical team consisted of 12 members, including research scientists, physicians and other seasoned professionals with expertise across various areas, including clinical pharmacology, clinical operation, clinical statistics, pharmacovigilance, data management and regulatory affairs. Our clinical development efforts are currently guided by Dr. Liu, who brings extensive expertise in clinical development and collaborating closely with CRO during the early clinical stages, providing in-depth guidance. Our clinical operation personnels have played a key role in overseeing clinical-related activities since its inception, including non-clinical animal studies and clinical research, ensuring the efficient execution of our development programs.

Our clinical trial management follows a systematic approach governed by standardized procedures. Before initiating any clinical trial, we develop a detailed project management plan that covers key aspects including project overview, research team organization, timelines, budgets, communication protocols, site initiation strategies, enrolment plans, contract management, personnel changes, clinical monitoring, document management, quality control, quality assurance and auditing, progress tracking, vendor management, data management and risk management. The project management plan remains a dynamic document that is regularly updated throughout the project lifecycle. For site initialization, we follow a three-step process: preliminary communication, preparation of application materials, including application forms, regulatory approvals, qualification certificates, quality certifications, and final submission.

We maintain rigorous documentation standards through sponsor files and investigator files. Investigator files must be retained for at least five years after trial completion, while sponsor files are kept for five years after drug approval. Our clinical monitoring plans, established before site selection, outline key elements such as monitoring scope, subject rights protection, data integrity assurance, risk management, monitoring methods and strategies, critical data verification, trial documentation, and training requirements. We conduct both on-site and remote monitoring to ensure subject protection and data reliability, maintaining complete documentation including visit confirmation letters, follow-up correspondence, and monitoring reports. All clinical data and practices are designed to meet GCP standards, serving as important evidence for regulatory approvals while continuously optimizing our products to better serve physicians and patients.

Collaboration with CROs

In alignment with industry standards, we engage CROs to conduct and support our preclinical studies and clinical trials under our close supervision and overall management. We select CROs based on a variety of factors, including their qualifications, expertise, experience, reputation, and cost-effectiveness. Our partnerships with CROs are project-specific, ensuring tailored support for each initiative. The preclinical CROs typically provide services related to preclinical toxicity and safety evaluations, such as animal studies, as well as in vivo pharmacology and PK studies under our study design. The clinical CROs assist us with various

aspects of our clinical trials, including trial preparation, clinical monitoring, medical monitoring, and project management. Leveraging the professional expertise of CROs, we are able to optimize site selection, facilitate timely patient recruitment and ensure the efficient conduct of complex clinical trials. We maintain rigorous oversight of CROs to ensure that their performance adheres to our protocols and applicable laws, safeguarding data integrity and the overall quality of our research, while our experienced clinical development team works closely with CROs during the early clinical stages, providing in-depth guidance to draft and finalize medical protocols.

Key terms of our agreements that we typically enter into with our CROs are set forth below:

- ***Services.*** The CROs provide the high-quality services to us, including the implementation and management of a preclinical or clinical research project as specified in the agreement.

- ***Term.*** The CROs are required to perform their services and complete the clinical research project within the prescribed time limit set out in each work order, usually on a project basis.

- ***Payments.*** We are required to make payments to the CROs in accordance with the payment schedule agreed by the parties.

- ***Intellectual property rights.*** We own all intellectual property rights arising from the clinical research projects conducted by the CROs within the stipulated work scope.

- ***Confidentiality.*** Our CROs are not allowed to disclose confidential information, including but not limited to, any technical materials, research reports or trial data related to the project specified in the agreement, and such obligation generally survives for five years.

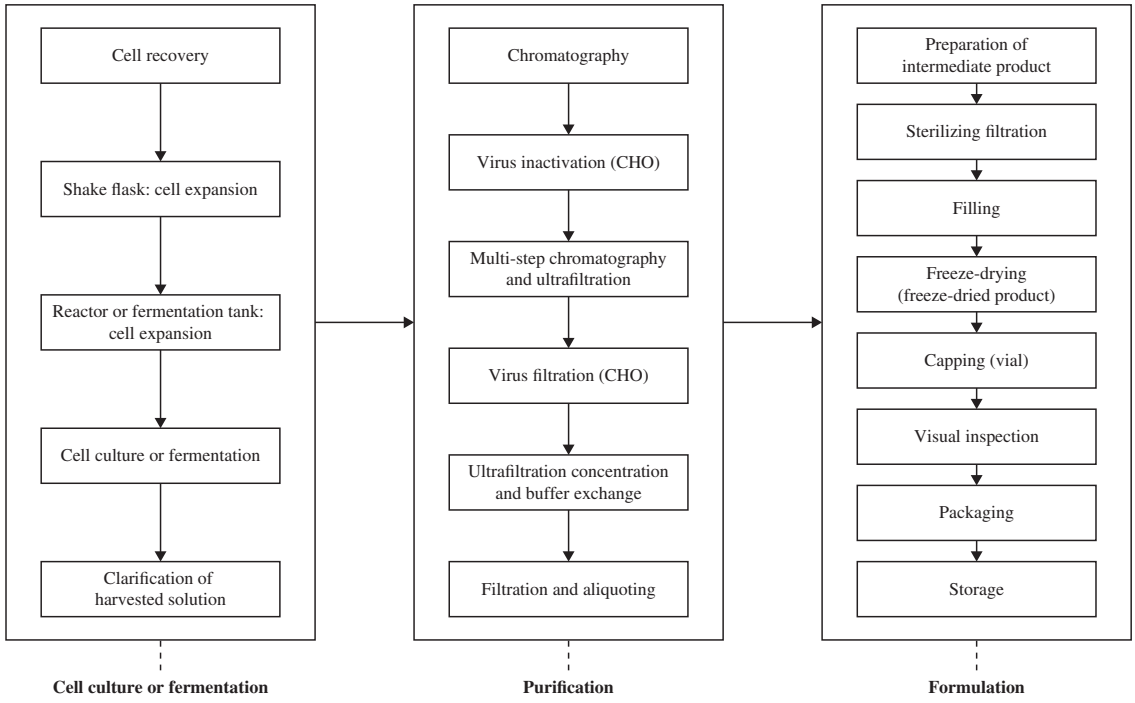
- ***Risk allocation.*** Each party should indemnify the other party for losses caused by its fault or gross negligence. In the event that both parties have fulfilled their respective obligations, any losses arising from causes not attributable to the CRO shall be borne by us.

MANUFACTURING

We conduct manufacturing of our drug candidates in compliance with the current effective cGMP requirements. During the Track Record Period and up to the Latest Practicable Date, most of our manufacturing activities for the production of our drug candidates were carried out in our in-house facilities. We regularly provide training to our manufacturing personnel to ensure they possess the skill sets and techniques required in the relevant production process, and comply with our quality control requirements, as well as applicable laws and regulations.

Manufacturing Process

Our commercial-scale manufacturing capacity is demonstrated by the unique production processes and techniques used for our selected drug candidates. The manufacturing process chart that highlight the key steps in producing our drug candidates KJ017, SJ02, KJ103, SJ04, KJ101 and KJ015 is as follows:



Manufacturing Facilities

We have established our own cGMP-compliant manufacturing facilities in Shanghai, with a total site area of approximately 63,000 sq.m., which meets both clinical and commercial production demands for our drug candidates including KJ017, SJ02, KJ103, SJ04, BJ007, KJ015 and KJ101. We are one of the few domestic companies that possess commercial-scale production lines for mammalian engineered cells (CHO), yeast cells, and *E. coli* fermentation. Our existing manufacturing facilities houses multiple production lines, including (i) three CHO production lines featuring five 200L reactors, one 1,000L reactor and one 2,000L reactor, with two additional 2,000L reactors reserved, (ii) a drug substance production line for *Pichia pastoris* solution and *E. coli* with equipped with one 1,000L reactor and one 100L reactor, (iii) an aseptic filling and freeze-drying production line, and (iv) a pre-filled syringe production line. As of the Latest Practicable Date, we maintained a reactor volume of up to 5,100L and an annual production capacity of approximately 2 million formulations. We have also established capabilities from upstream design, cell cultivation, separation and purification, quality research to drug industrialization, supported by a comprehensive manufacturing platform equipped with aseptic freeze-drying and pre-filled formulation capabilities. Our facilities feature an advanced quality analysis technology platform specialized protein content and purity testing, *in vitro* and *in vivo* biological activity analysis, protein identification,

impurity analysis, glycotype analysis, heterogeneity analysis, and other quality analyses. We have developed product-specific testing methods for various protein varieties with reasonable validation, guiding early-stage seed screening and production process research, implementing pilot production process control, establishing product quality standards, and conducting product stability studies. Our facility is fully equipped with all necessary software and hardware testing conditions. In December 2022, our Company received Drug Production License from Shanghai Medical Products Administration (Type A) for the production of KJ017. In May 2023, our Company received Drug Production License (Type C) from Shanghai Medical Products Administration for the production of SJ02 at our established facilities in Shanghai. In January 2024, Suzhou Centergene, our wholly-owned subsidiary, received Drug Production License (Type B) from Jiangsu Medical Products Administration for SJ02 production at the same facilities.

Our 200L and 1,000L drug substance production line for CHO

Our 1,000L drug substance production line for Pichia pastoris and *E. Coli*

Our 2,000L drug substance production line for CHO

To further upgrade our pilot- and commercial-scale manufacturing capabilities, we are constructing our second cGMP-compliant facilities in Shanghai, with a site area of approximately 37,000 sq.m. This expansion is strategically designed to support the research, pilot production, and commercial production of our recombinant protein drugs, particularly KJ101 and BJ044. We expect our new manufacturing facilities to house (i) a CHO production line equipped with three 2,000L reactors, (ii) a drug substance production line for *Pichia pastoris* solution featuring a 1,000L reactor and a 10,000L reactor, (iii) a pre-filled syringe production line, and (iv) a production line for powder injection and water injection products. The facilities are expected to deliver an additional reactor volume of up to 17,000L and an annual production capacity of approximately 20.5 million formulations. We expect to complete construction and commence operations for our new manufacturing facilities by June 2026. Upon completion and operation of such new manufacturing facilities, we anticipate that our total reactor volume will be elevated to approximately 26,100L and our annual production capacity will reach approximately 22.5 million formulations. This expansion marks a significant step in our manufacturing strategy, positioning us to meet future commercial demands while maintaining stringent quality controls and operational efficiency.

As of the Latest Practicable Date and during the Track Record Period, all of our manufacturing activities were independently carried out by us using in-house facilities. We have also collaborated with a third-party industry-recognized CDMO outside the PRC for the potential preparation of overseas supply in the future. We are responsible for the development of manufacturing process of our drug candidates, and this CDMO partner is responsible for the process scale up and cGMP production within the timelines set out in our agreement. We are also entitled to conduct on-site audits to ensure our CDMO partner's compliance with the relevant cGMP requirements. We own all intellectual property rights that are particularly generated for and solely applicable to the deliverables arising from the outsourced manufacturing process.

Quality Management

Quality control ("**QC**") and quality assurance ("**QA**") are paramount to our continued success. We operate a comprehensive quality management system ("**QMS**") that spans all key stages of our R&D and manufacturing processes. This system is meticulously established and refined in accordance with rigorous regulations and guidelines in China, the U.S., and Europe. We closely monitor evolving cGMP standards and regulatory developments in these markets, continuously updating our internal procedures to meet the requirements of international standards in patient safety and regulatory compliance.

As of the September 30, 2024, we have built a robust quality management team consisting of 82 quality control, quality assurance, validation and pharmacovigilance personnel. Our quality management team ensures the quality systems cover every aspect of our operations including research and development, production, warehousing, supply chain, sales, drug traceability, pharmacovigilance, among others.

Quality Control: Our QC team are primarily responsible for sample inspection, stability studies, sample retention, and commissioned testing. They develop quality standards for raw materials, intermediates and finished products, maintain instruments, conduct analytical method validation, and investigate and address deviations, out-of-specification results and non-conformances in the laboratory environment.

Quality Assurance: Our QA team are responsible for the quality assurance of our products through established quality assurance management procedures. These procedures cover areas such as documentation, deviation management, change control, corrective and preventive actions (CAPA), risk management, training, supplier management, data integrity, product release, and annual product inspections, among others. By adhering to these processes, we ensure that all aspects related to quality assurance are properly controlled, thereby safeguarding product quality, safety, efficacy and compliance with quality standards.

Validation: Our validation specialists work closely with other departments to facilitate the execution of validation activities. They develop validation protocols, monitor and implement validation processes, and manage the design and execution of process validation and cleaning validation. They are also responsible for developing and implementing validation activities for plant facilities, production equipment, instruments, computerized systems, transportation and other areas. Their core responsibility is to ensure that validation and verification results meet both regulatory requirements and process specifications. review validation results and document validation activities as their core responsibilities.

We have established comprehensive quality control and assurance procedures to ensure compliance with relevant regulatory requirements and our internal quality standards. We select qualified raw material suppliers and recruit manufacturing and quality management personnel based on strict criteria. Our facilities and equipment undergo regular inspections to ensure proper functioning. We closely monitor the manufacturing environment, focusing on key parameters such as microbial levels, dust particles, temperature, humidity and pressure

difference. Generally, we perform overall inspections annually and engage external experts and counsel to conduct quality audits. In line with national regulatory standards and customer requirements, we are committed to continuously enhancing our quality control system to ensure patient safety and regulatory compliance.

COMMERCIALIZATION

We currently have no drugs approved or at the commercial stage; however, we have been strategically developing our commercial planning and portfolio management capabilities as our core pipeline drug candidates advance through clinical trials. Our strategy focuses on establishing partnerships with leading multinational and domestic pharmaceutical companies, leveraging their established sales and marketing capabilities and distribution channel to achieve rapid market entry and increase market penetration. We have established formal partnerships with multiple pharmaceutical and biotechnology companies for the development of SC antibody formulations, such as Qyuns and Sumgen. In September 2024, we also entered into a license and commercialization agreement with Group A, a global leader in fertility treatments, concerning the commercialization of SJ02 for the fertility treatment in China. For details, see "— Collaboration Agreements — License and Commercialization Agreement with Group A."

Our business development team and marketing consultants are currently responsible for the early-stage promotion of our pipeline products and actively seeking global collaboration opportunities. In the long run, as we identify favorable market opportunities, we plan to assemble a dedicated sales and marketing force with extensive experience in our focused therapeutic areas. This sales and marketing team shall be primarily responsible for marketing strategy, product positioning, market access, market penetration, promotion activities and patient support. We expect this team will work synergistically with our partners in ensuring the penetration of our products in major markets. We will also devise differentiated strategies for each drug based on their characteristics and clinical trial data.

COLLABORATION AGREEMENTS

License and Commercialization Agreement with Group A

In September 2024, we entered into a license and commercialization agreement with Group A, a global healthcare company with a strategy to improve the health of women throughout their lives and an Independent Third Party, to develop, manufacture and commercialize SJ02 for the fertility treatment to stimulate the development of eggs in the ovaries in humans (the "**Field**") in China.

Pursuant to this agreement, we granted Group A an exclusive, royalty-bearing and sublicensable license, under certain patents and know-how controlled by us, to develop, manufacture and commercialize SJ02 in the Field in China, including to (i) obtain the marketing authorization of SJ02 by way of the MA Transfer (as defined below), (ii) develop SJ02 for the purpose of maintaining the marketing authorization after the MA Transfer, and (iii)

manufacture, have manufactured in China and commercialize SJ02, subject to the terms and conditions in this agreement. Notwithstanding the exclusive nature of the license, we retain the right to manufacture or have manufactured SJ02 in China, solely for or in support of its development, manufacture and commercialization outside China. We also granted Group A a right of first negotiation to develop, manufacture or commercialize any pharmaceutical or biological product (other than SJ02) to be exploited by us for fertility treatments in humans in China.

Group A and we should establish a joint steering committee ("**JSC**") comprised of six members with equal representation from each party to facilitate and oversee the activities under this agreement. All decisions of the JSC shall be made unanimously. If the JSC cannot reach an agreement, such matter shall be escalated to each party's respective designated executives with appropriate decision-making authority for resolution. If such matter still cannot be resolved by the designated executives within 30 days after escalation, then between the parties, (i) before completion of the MA Transfer, decisions related to development of SJ02 shall be determined jointly by both parties and neither party shall have the sole decision-making authority thereon, and (ii) upon and after completion of the MA Transfer, Group A shall have the final decision-making authority over the development, commercialization, manufacturing and supply of SJ02; provided that such decisions should not be reasonably expected to materially adversely affect the development, manufacture and commercialization of SJ02.

Under this agreement, we are responsible for, at our own costs, the development and regulatory activities for SJ02 for the purpose of obtaining its marketing authorization in the Field in China. Upon receipt of such marketing authorization for SJ02, the parties shall transfer the marketing authorization from us to Group A (the "**MA Transfer**"). Upon and after the completion of the MA Transfer, Group A, shall (i) use commercially reasonable efforts to commercialize SJ02 in the Field in China at its cost, and (ii) will be responsible for maintenance, update and/or renewal of the marketing authorization of SJ02. We will remain responsible for the manufacture and supply of, and Group A shall purchase from us, SJ02 to be commercialized by Group A in China. Group A and we have agreed to enter into a separate manufacturing and supply agreement and any other ancillary agreements regarding such manufacture and purchase of SJ02.

In partial consideration and conditioned upon the achievement of the objectives of this agreement, we are eligible to receive an upfront payment of US$12.0 million from Group A and we have received the first tranche of US$6.0 million as of the Latest Practicable Date. We are also entitled to future milestone payments up to an aggregate of US$170.0 million upon the achievement of specified regulatory and commercialization milestones. As of the Latest Practicable Date, no milestone payments had become due under this agreement. Group A will also be obligated to pay us royalties at ten percent of the annual net sales of SJ02 in China.

Each party shall solely own all patents, know-how, or other intellectual property conceived or created solely by or on behalf of such party under this agreement. The parties shall jointly own all patents, know-how, or other intellectual property conceived or created

jointly by or on behalf of the parties (the "**Collaboration IP**"). We have the first right to file, prosecute and maintain the licensed patents in China at our own costs and expenses. The parties shall cooperate if applying for patent protection for any Collaboration IP.

Unless terminated earlier, this agreement has ten-years term from the first commercial sale of SJ02 in China. Upon the expiration of such term, the license granted to Group A thereunder shall become exclusive, perpetual, irrevocable, fully paid-up and royalty-free. Either party may terminate this agreement for the other party's uncured material breach or insolvency. Group A has the right to unilaterally terminate this agreement in its entirety for convenience, lack of commercial viability, or our change of control, upon prior or immediate written notice. We may also terminate this agreement in the event Group A challenges, directly or indirectly, the licensed patent rights, upon prior written notice to Group A.

Collaboration Agreement with Qyuns

In August 2024, we entered into a collaboration agreement with Qyuns Therapeutics Co., Ltd. (江蘇荃信生物醫藥股份有限公司, HKEX: 2509) ("**Qyuns**"), for the joint development of innovative SC formulations of original biologic products selected by Qyuns owned, being developed, or that will be developed by it in combination with our recombinant human hyaluronidase. Qyuns, an Independent Third Party to us, is a leading biotechnology company exclusively focused on biologic therapies for autoimmune and allergic diseases.

Pursuant to this agreement, Qyuns will be the marketing authorization holder for the SC formulations developed under this agreement and enjoy exclusive rights to development, manufacturing and commercialization thereof with bearing all related costs. We agreed to supply recombinant human hyaluronidase for product development, provide necessary technical support, and assist in regulatory filings. Qyuns agreed to pay us an aggregate milestone-based fees of RMB8.0 million in consideration for our technical support services and the supply of certain quantities of hyaluronidase products for technology transfer and early clinical trial purposes. We will supply hyaluronidase products to Qyuns throughout the development, registration and commercialization stages at prices not exceeding the specified price caps set forth in the agreement. Parties will separately sign a sales agreement after the commercialization of such combination drug developed under this agreement. As of the Latest Practicable Date, we have received the milestone payments of RMB3.0 million for technical support fees. According to this agreement, Qyuns is prohibited from engaging in hyaluronidase-related research and development activities during the term of this agreement and for five years following its termination.

Qyuns will own all intellectual property rights related to the SC formulations developed under this agreement. We will retain ownership of intellectual property rights for any technology related to hyaluronidase developed using our own funds and technology. The parties will jointly own intellectual property rights related to the technology that are developed under this agreement but not related to the SC formulations. This agreement will remain effective from the execution date until its termination, which can be terminated upon mutual written consent of both parties. Either party may terminate this agreement if the other party is

in breach of its obligations under this agreement and fails to cure such a breach in a certain period, or in the event of certain material breach by the other party. For any disputes arising under this agreement that cannot be resolved by negotiations or mediations, either party may initiate legal proceedings in the local court where the plaintiff is domiciled.

Collaboration Agreement with Sumgen

In March 2022, we entered into a collaboration agreement with Hangzhou Sumgen Biotech Co., Ltd. (杭州尚健生物技術有限公司) ("**Sumgen**"), for the joint development of SC formulations of an anti-CD38 mAb in combination with our recombinant human hyaluronidase. Sumgen, an Independent Third Party to us, is a leading biotechnology company dedicated to advancing scientific innovation in the field of antibody-based therapeutics.

Pursuant to this agreement, Sumgen will be the marketing authorization holder and take the lead in the development, regulatory filings, manufacturing and commercialization of the SC formulations developed under this agreement. We agreed to supply recombinant human hyaluronidase for product development, provide necessary technical support, and assist in regulatory filings. Sumgen agreed to pay us an aggregate milestone-based fees of RMB10.0 million in consideration for our technical support services and the supply of certain quantities of hyaluronidase products for early technology transfer and pilot production purposes. We will also continuously supply hyaluronidase products to Sumgen for purposes of development and production at prices set forth in the agreement upon their request. Parties will separately sign a sales agreement after the commercialization of the combination drug developed under this agreement. We will not share in any profits from Sumgen's sales. As of the Latest Practicable Date, we have received the milestone payments of RMB7.0 million for technical support fees, and received RMB390.0 thousand for supply of our hyaluronidase products.

Sumgen will own all intellectual property rights related to the SC formulations developed under this agreement. We will retain ownership of intellectual property rights for any technology related to hyaluronidase developed using our own funds and technology. The parties will jointly own intellectual property rights related to the technology that are developed under this agreement but not related to the SC formulations. This agreement will remain effective since its execution date, which can be terminated upon mutual written consent of both parties. In the event of our unilateral termination of this agreement or failure to provide the required materials and deliverables, we would be obligated to refund to Sumgen all fees paid under this agreement. Any disputes arising under this agreement shall be resolved through good faith negotiations. In the event that such negotiation fails, either party may initiate legal proceedings in the local court where the defendant is domiciled.

INTELLECTUAL PROPERTY

Intellectual property rights are crucial to our business success. We rely on a combination of patent and other intellectual property rights, as well as confidentiality procedures, non-disclosure agreements, employee non-disclosure and invention assignment agreements, and other contractual restrictions to establish and protect our commercially important technologies, inventions and know-how related to our business.

We have a global portfolio of patents to protect our drug candidates and technologies. As of the Latest Practicable Date, we had (i) 16 issued patents in the PRC and (ii) 66 pending patent applications, consisting of 34 in the PRC, 31 in other jurisdictions including the U.S., Europe, Japan, South Korea, Hong Kong and Taiwan, and one under the Patent Cooperation Treaty ("**PCT**").

As of the Latest Practicable Date, with respect to our three Core Products, KJ017, SJ02, and KJ103, we had seven issued patents in the PRC, and also 12 pending patent applications, including seven in the PRC, and five in other jurisdictions. In particular:

- ***KJ017.*** As of the Latest Practicable Date, we owned two issued patent in the PRC relating to KJ017, which are expected to expire in 2036 and 2039, separately; we had three pending patent applications relating to KJ017, consisting of two in the PRC, one in Europe. The patents that may be issued form the currently pending patent application are expected to expire within the period from 2040 to 2043, without taking into account any possible patent term adjustments or extensions and assuming payment of all appropriate maintenance, renewal, annuity and other government fees will be timely made.

- ***KJ103.*** As of the Latest Practicable Date, we owned two issued patent in the PRC relating to KJ103, which are expected to expire within the period from 2035 and 2041, separately; we had seven pending patent applications relating to KJ103, consisting of three in the PRC and four in other jurisdictions including the U.S. and Europe. The patents that may be issued form the currently pending patent application are expected to expire within the period from 2041 to 2044, without taking into account any possible patent term adjustments or extensions and assuming payment of all appropriate maintenance, renewal, annuity and other government fees will be timely made.

- ***SJ02.*** As of the Latest Practicable Date, we owned three issued patents and two pending patent applications in the PRC relating to SJ02. The issued patents are expected to expire in 2041. The patents that may be issued form the currently pending patent application are expected to expire in 2041, without taking into account any possible patent term adjustments or extensions and assuming payment of all appropriate maintenance, renewal, annuity and other government fees will be timely made.

The following table summarizes the details of the material granted patents and patent applications related to our Core Products. For more information, please refer to "Appendix VII — Statutory and General Information — B. Further Information About our Business — 2. Intellectual Property Rights — Patents."

Related Product	Title of Patent/ Patent Application	Jurisdiction	Status	Patent Holder/ Applicant	Expiration Year*
KJ017 . . .	A recombinant human hyaluronidase lyophilized preparation and method of preparation and applications thereof	PRC	Granted	Suzhou Kangju; The Company	2036
KJ017 . . .	Tumor ECM degradation and/or inhibitors and kits thereof and applications thereof	PRC	Granted	The Company; Suzhou Kangju	2039
KJ017 . . .	A novel hyaluronan degrading enzyme	PRC	Pending	The Company	N/A**
KJ017 . . .	A recombinant human hyaluronidase preparation and applications thereof	PRC	Pending	The Company	N/A**
KJ017 . . .	A recombinant human hyaluronidase preparation and applications thereof	Europe	Pending	The Company	N/A**
KJ103 . . .	An IdeS protease, a preparation method thereof, and applications thereof	PRC	Granted	Suzhou Kangju; The Company	2035
KJ103 . . .	A mutant of immunoglobulin degrading enzyme IdeE	United States	Pending	The Company	N/A**
KJ103 . . .	A mutant of immunoglobulin degrading enzyme IdeE	PRC	Pending	The Company	N/A**
KJ103 . . .	A mutant of immunoglobulin degrading enzyme IdeE	Europe	Pending	The Company	N/A**
KJ103 . . .	A pharmaceutical composition and applications thereof	United States	Pending	The Company	N/A**
KJ103 . . .	A pharmaceutical composition and applications thereof	PRC	Granted	The Company	2041
KJ103 . . .	Use of a mutant of the immunoglobulin degrading enzyme IdeE	PRC	Pending	The Company	N/A**
KJ103 . . .	Use of a mutant of the immunoglobulin degrading enzyme IdeE	United States	Pending	The Company	N/A**
KJ103 . . .	An immunoglobulin degrading enzyme	PRC	Pending	Suzhou Kangju; The Company	2044
SJ02	Antibodies, as well as conjugates and immunosorbent materials comprising them, and applications thereof	PRC	Pending	Suzhou Centergene; The Company	N/A**
SJ02	Antibodies, as well as conjugates and immunosorbent materials comprising them, and applications thereof	PRC	Granted	Suzhou Centergene; The Company	2041

Related Product	Title of Patent/ Patent Application	Jurisdiction	Status	Patent Holder/ Applicant	Expiration Year*
SJ02	An antibody or antigen-binding fragment thereof and applications thereof	PRC	Granted	Suzhou Centergene; The Company	2041
SJ02	A single domain antibody or antigen-binding fragment thereof and applications thereof	PRC	Pending	Suzhou Centergene; The Company	N/A**
SJ02	A mutant of a VHH antibody or antigen-binding fragment thereof and applications thereof	PRC	Granted	Suzhou Centergene; The Company	2041

* Patent expiration does not include any applicable patent term extensions

** Patent application

The actual protection afforded by a patent varies on a claim-by-claim and jurisdiction-by-jurisdiction basis and depends on many factors, including the type of patent, the scope of its coverage, the availability of any patent term extensions or adjustments, the availability of legal remedies in a particular jurisdiction, and the validity and enforceability of the patent. We cannot provide any assurance that patents will issue with respect to any of our patent applications or any such patent applications that may be filed in the future, nor can we provide any assurance that any of our issued patents or any such patents that may be issued in the future will be commercially useful in protecting our drug candidates and methods of manufacturing the same. See "Risk Factors — Risks Relating to Our Intellectual Property Rights" for a description of risks related to our intellectual property.

We conduct our business under the brand name "Bao Pharma" ("宝济药业"). As of the Latest Practicable Date, we had (i) 32 registered trademarks in the PRC, (ii) one registered trademarks in other jurisdiction, (iii) one trademark application in the PRC, and (iv) eight trademark applications in Hong Kong. We are also the registered owner of eight domain name.

We enter into collaboration agreements and other relationships with biopharmaceutical companies and other industry participants, through which we may grant access to our own intellectual property, or gain access to the intellectual property of others. See "— Collaboration Agreements."

During the Track Record Period and up to the Latest Practicable Date, (i) we were not involved in any legal, arbitral or administrative proceedings in respect of, and we had not received notice of any material claims of infringement, misappropriation or other violations of third-party intellectual property; and (ii) we were not involved in any proceedings in respect of any intellectual property rights that may be threatened or pending and that may have an influence on the research and development for any of our drug candidates in which we may be a claimant or a respondent.

DATA PRIVACY AND PROTECTION

We routinely receive, collect, generate, store, process, transmit and maintain medical data treatment records and other personal details of the subjects enrolled in our clinical trials, along with other personal or sensitive information. As such, we are subject to the relevant local, state, national and international data protection and privacy laws, directives regulations and standards that apply to the collection, use, retention, protection, disclosure, transfer and other processing of personal data in the various jurisdictions in which we operate and conduct our clinical trials, as well as contractual obligations.

We have designed strict data protection policies to ensure that the collection, use, storage, and processing of medical data comply with applicable laws and prevalent industry practices, including our detailed data management plan for each clinical project. The collection of personal data is primarily performed by hospitals in our clinical trials and operations. Subjects enrolled in the clinical trials are anonymized with assigned subject numbers, and any datasets transferred to us are only associated with the subject numbers, not the actual identities of patients. As a result, we have no access to patients' personally identifiable information, such as their names, identity numbers, phone numbers or home addresses.

Furthermore, we require that all internal employees, as well as hospitals and third-party contractors such as CROs involved in our clinical trials adhere to strict confidentiality requirements. We conduct training to ensure compliance with these standards, thus reinforcing our dedication to maintaining the highest levels of data security and patient confidentiality. This comprehensive approach not only meets regulatory expectations but also fosters trust among participants and stakeholders involved in our clinical processes.

We have a number of ongoing or planned clinical studies in China and may in the future, conduct clinical trials the United States and European Union. While we are currently not involved in any cross-border transfer of clinical trial data, any such transfer in connection with our product development efforts and regulatory communications in the future will be subject to the applicable local data and privacy protection laws, including those in China, the United States and European Union. During the Track Record Period and up to the Latest Practicable Date, we had complied with laws and regulations related to data security and privacy with our products, services and operations in all material aspects, and we had neither incurred any related administrative penalties nor received any related administrative inquiry notice. For more details of laws and regulations regarding data privacy and protection, please see the section headed "Risk Factors — Risks Relating to Extensive Government Regulations — We face regulation and potential liability related to privacy, data protection and information security which may require significant resources and may adversely affect our business, operations and financial performance."

COMPETITION

The market for biopharmaceuticals is evolving and highly competitive. While we are confident that our research and development capabilities allow us to establish a favorable position in the industry, we face competition from both international and domestic biopharmaceutical companies, as well as specialty pharmaceutical and biotechnology firms of varying sizes, along with academic and research institutions. For more detailed insights into the competitive landscape of our drug candidates, please refer to the sections headed "Industry Overview" and "— Our Drug Candidates."

We believe that the primary competitive factors in our markets include efficacy and safety of drug candidates, manufacturing efficiency, and commercialization development. We anticipate that competition will intensify in the future as additional players enter these segments. Any drug candidates successfully developed and commercialized by us will compete with existing drugs or any new drugs that may emerge in the future. For insights into the potential impact of market competition, please see "Risk Factors — Key Risks Relating to Our Business, Business Operations, Intellectual Property Rights and Financial Prospects — We face intense competition and rapid technological change and the possibility that our competitors may develop therapies that are similar, more advanced, or more effective than ours, which may adversely affect our financial condition and our ability to successfully commercialize our drug candidates."

SUPPLIERS AND RAW MATERIALS

Suppliers

During the Track Record Period, our suppliers primarily consisted of (i) construction service providers for our manufacturing facilities, (ii) suppliers of the raw materials and equipment for our drug development, (iii) a CDMO outside the PRC, who provides third party contracting services for our future large-scale supply to overseas customers, and (iv) CROs engaged for our drug development. Purchases from our five largest suppliers for the year ended December 31, 2023 and the nine months ended September 30, 2024 were RMB123.2 million and RMB63.7 million, respectively, representing 48.0% and 50.1% of our total purchases for the same periods, respectively. Purchases from our single largest supplier for the year ended December 31, 2023 and the nine months ended September 30, 2024 were RMB72.9 million and RMB42.2 million, respectively, representing 28.4% and 33.2% of our purchases for the same periods, respectively. We believe that we maintain strong and stable relationships with our major suppliers.

The following table sets forth details of our five largest suppliers during the Track Record Period:

Supplier	Supplier background	Products/ services purchased	Length of business relationship	Credit terms	Purchase amount	% of total purchases
					(RMB'000)	
For the nine months ended September 30, 2024						
The Fourth Construction Co., Ltd. of China Electronic System Engineering (中國電子系統工程第四建設有限公司)	A construction company incorporated in the PRC in 2003, headquartered in Shijiazhuang, focusing on design and construction of construction projects	CAPEX	Since 2021	30 days	42,232.8	33.2%
Joinn Laboratories (China) Co., Ltd. (北京昭衍新藥研究中心股份有限公司)	A leading CRO, incorporated in the PRC in 1998 and headquartered in Beijing, provides one-stop customized R&D and commissioned production services for to global pharmaceutical and biotechnology companies	Research	Since 2014	20 days	9,798.7	7.7%
Supplier A	A leading CDMO company that provides biopharmaceutical services and solutions for drug development and production	Research	Since 2016	30 days	4,614.2	3.6%
Tofflon Science and Technology Group Co., Ltd. (東富龍科技集團股份有限公司)	A leading solution provider and manufacturer of pharmaceutical manufacturing facilities, incorporated in the PRC in 1993 headquartered in Shanghai and listed on the Shenzhen Stock Exchange	CAPEX/Raw Material	Since 2020	30 days	3,911.2	3.1%
Supplier B	A power company established in 1993, headquartered in Shanghai, specializing in power generation, supply, construction, and energy technology services	CAPEX	Since 2023	30 days	3,129.6	2.5%
					63,686.5	**50.1%**

Supplier	Supplier background	Products/ services purchased	Length of business relationship	Credit terms	Purchase amount	% of total purchases
					(RMB'000)	
For the year ended December 31, 2023						
The Fourth Construction Co., Ltd. of China Electronic System Engineering (中國電子系統工程第四建設有限公司)	A construction company incorporated in the PRC in 2003, headquartered in Shijiazhuang, focusing on design and construction of construction projects	CAPEX	Since 2021	30 days	72,906.0	28.4%
Tofflon Science and Technology Group Co., Ltd. (東富龍科技集團股份有限公司)	A leading solution provider and manufacturer of pharmaceutical manufacturing facilities, incorporated in the PRC in 1993 headquartered in Shanghai and listed on the Shenzhen Stock Exchange	CAPEX	Since 2020	30 days	18,770.3	7.3%
Joinn Laboratories (China) Co., Ltd. (北京昭衍新藥研究中心股份有限公司)	A leading CRO, incorporated in the PRC in 1998 and headquartered in Beijing, provides one-stop customized R&D and commissioned production services for to global pharmaceutical and biotechnology companies	Research	Since 2014	20 days	16,612.9	6.5%
Supplier C	A wholesale and retail company incorporated in the PRC in 2003, headquartered in Beijing, focusing on medical devices, food sales, and technical services	CAPEX	Since 2022	30 days	8,407.1	3.3%
Supplier D	A leading solution provider and manufacturer of pharmaceutical R&D and manufacturing facilities, incorporated in the PRC in 2006 and headquartered in Nanjing	CAPEX	Since 2021	15 business days	6,460.2	2.5%
					123,156.5	**48.0%**

All of our five largest suppliers during the Track Record Period were Independent Third Parties. None of our Directors, their respective associates nor any shareholder who, to the knowledge of our Directors, owned more than 5% of our issued share capital as of the Latest Practicable Date, has any interest in any of our five largest suppliers during the Track Record Period.

Raw Materials

The principal raw materials that we used include chromatography resins, filters, disposable bags and cell culture media, among others. We adopt stringent supplier selection procedures. Potential suppliers are assessed based on various factors including their qualifications, compliance with relevant regulations and industry standards, product offerings, production quality, pricing, delivery capacities, reputation and after-sales service. Our suppliers are required to possess all licenses and permits necessary for their operations.

Our principal raw materials are generally readily available in the market through a number of suppliers. We believe we have alternative sources for our principal raw materials with comparable quality and pricing. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material shortage or delay in the supply of raw materials. During the Track Record Period and up to the Latest Practicable Date, we did not experience any significant increases in the prices of our major raw materials or fluctuations in raw material costs which had a material adverse impact on our results of operations or gross profit margins. See "Risk Factors — Risks Relating to Our Reliance on Third Parties — We depend on a stable and adequate supply of quality raw materials, including consumables, devices and equipment from our suppliers, and price increases or interruptions of such supply could have an adverse impact on our business."

CUSTOMERS

During the Track Record Period, our revenue was derived from (i) sales of materials, including recombinant human hyaluronidase as a pharmaceutical excipient and antibodies, and (ii) provision of technical services, mainly representing certain service fees, milestone payments, or other considerations we received under respective license and collaboration agreements with our business partners. We had only four customers in 2023 and all of our revenue in 2023 were generated from these four customers. Revenue generated from our five largest customers for the nine months ended September 30, 2024 were RMB4.3 million, representing 97.5% of our total revenue for the same periods. Revenue generated from our single largest customer for the year ended December 31, 2023 and the nine months ended September 30, 2024 were RMB2.8 million and RMB2.8 million, respectively, representing 40.9% and 63.7% of our total revenue for the same periods.

The following table sets forth details of our five largest customers during the Track Record Period:

Customer	Customer background	Products/ services purchased	Length of business relationship	Credit terms	Revenue contribution	% of total revenue
					(RMB'000)	
For the nine months ended September 30, 2024						
Qyuns Therapeutics Co., Ltd. (江蘇荃信生物醫藥股份有限公司)	A clinical-stage biotechnology company incorporated in the PRC in 2015, headquartered in Taizhou and listed on the Stock Exchange, focusing on biologic therapies for autoimmune and allergic diseases	Technical services	Since 2024	15 business days	2,830.2	63.7%
Customer A	A leading solution provider incorporated in 2022, offers complete design, manufacturing and logistics to support to every stage of biomanufacturing process	Sales of materials	Since 2024	30-60 days	656.9	14.8%
Customer B	A leading CRO incorporated in the PRC in 2012 headquartered in Shanghai, providing one-stop customized R&D and commissioned production services for innovative drugs to global pharmaceutical and biotechnology companies	Sales of materials	Since 2013	30 business days	442.5	10.0%
Hangzhou Sumgen Biotech Co., Ltd. (杭州尚健生物技術有限公司)	A leading biotechnology company incorporated in the PRC in 2015, headquartered in Hangzhou, dedicated to advancing scientific innovation in the field of antibody based therapeutics	Sales of materials	Since 2022	30 days	345.1	7.8%

Customer	Customer background	Products/ services purchased	Length of business relationship	Credit terms	Revenue contribution	% of total revenue
					(RMB'000)	
Customer C	A pharmaceutical technology company incorporated in the PRC in 2016 headquartered in Shanghai, specializing in premium excipients and services for high-end formulations	Sales of materials	Since 2024	30 days	53.1	1.2%
					4,327.8	**97.5%**
For the year ended December 31, 2023[(1)]						
Hangzhou Sumgen Biotech Co., Ltd. (杭州尚健生物技術有限公司)	A leading biotechnology company incorporated in the PRC in 2015, headquartered in Hangzhou, dedicated to advancing scientific innovation in the field of antibody based therapeutics	Technical services	Since 2022	30 days	2,830.2	40.9%
Sichuan Kelun Pharmaceutical Co., Ltd. (四川科倫藥業股份有限公司)	A biotechnology company incorporated in the PRC in 1996, headquartered in Chengdu and listed on the Shenzhen Stock Exchange, focuses on R&D, manufacturing and commercialization of novel drugs	Technical services	Since 2013	20-30 business days	2,000.0	28.9%
Customer D	A biotechnology company incorporated in the PRC in 2010, headquartered in Shanghai, focusing on drug delivery systems, diagnostic instruments, and related technical development and consulting services	Sales of materials	Since 2023	10 business days	1,701.1	24.5%

Customer	Customer background	Products/ services purchased	Length of business relationship	Credit terms	Revenue contribution	% of total revenue
					(RMB'000)	
Customer B	A leading CRO incorporated in the PRC in 2012 headquartered in Shanghai, providing one-stop customized R&D and commissioned production services for innovative drugs to global pharmaceutical and biotechnology companies	Sales of materials	Since 2013	30 business days	398.2	5.7%
					6,929.5	**100.0%**

Note: We had four customers in total for the year ended December 31, 2023.

All of our five largest customers during the Track Record Period were Independent Third Parties. None of our Directors, their respective associates nor any shareholder who, to the knowledge of our Directors, owned more than 5% of our issued share capital as of the Latest Practicable Date, has any interest in any of our five largest customers during the Track Record Period.

EMPLOYEES

As of September 30, 2024, we had a total of 311 full-time employees and all of them were based in China. The following table sets forth the number of our employees by function as of September 30, 2024:

Function	Number	Percentage
Drug Discovery, Preclinical Development and Related Regulatory Affairs	49	15.7%
Medical and Clinical Development	12	3.9%
CMC and Manufacturing	80	25.7%
Quality Control, Quality Assurance, Validation and Pharmacovigilance	82	26.4%
General and Administrative	88	28.3%
Total	**311**	**100.0%**

Relationship with Employees

The success of our endeavors relies significantly on the efforts and expertise of all employees, who form an integral part of our business. We typically recruit employees through online platforms, recruitment agencies, internal referrals and campus job fairs, considering factors including our needs and business plans and the candidates' expertise and skills, working experience and years of service, educational qualifications and background, as well as adaptability and communication skills. We are dedicated to expanding our talent pool to support future development, ensuring that the departure of any single key management or R&D staff member will not materially or adversely affect our operations.

In compliance with the PRC labor law, we enter into standard labor and confidentiality agreements with our employees, covering matters including salaries, employee benefits, confidentiality and non-compete obligations and grounds for termination. For our key personnel, the non-compete restricted period typically expires one year after the termination of employment, and we agree to compensate the employees with a certain percentage of their pre-departure salary during the restricted period. We also enter into intellectual property ownership agreements with our employees, under which we own all the intellectual property rights derived during the course of their work.

We strive to create an equitable, inclusive, and diverse workplace while fostering positive working relationships with our employees. All labor disputes are handled in accordance with all applicable laws, rules and regulations. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any strikes or labor disputes that may have a material adverse effect on our business, financial condition or results of operations.

Training and Development

We provide our employees with a diverse array of professional development opportunities and foster a performance-driven environment. Our focus is on cultivating a culture that promotes retention and engagement. With our emphasis on our integrated in-house research and development capabilities, we place significant importance on the growth of internal talent. We consistently seek out advancement opportunities for our staff through various internal and external training and development programs, including pre-job training, tiered on-the-job training and special skills training for major employees, as well as leadership training programs for management.

Employee Benefits

We are committed to making sure that working conditions throughout our business network are safe and that employees are treated with care and respect. We believe in providing our employees with competitive compensation packages, reflecting our stakeholder-centric ethos, which we believe fosters sustainable and enduring growth. In accordance with PRC regulations, we participate in various government-mandated employee benefit plans, including

social insurance such as pension insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance, and housing funds. During the Track Record Period, we made adequate contributions to these social insurance and housing funds for all employees.

INSURANCE

We maintain insurance policies that we consider to be in line with market practice and adequate for our business to safeguard against risks and unexpected events. Our insurance policies comprise all-risk property insurance and employer liability insurance to cover losses arising from natural disasters and accidents, as well as employee injuries during work hours. We maintain clinical trial liability insurance to ensure comprehensive protection against adverse effects. We also provide social insurance for our employees in accordance with relevant PRC laws and regulations. We believe that our insurance coverage is adequate to cover our key assets, facilities, and liabilities. See "Risk Factors — Other Risks Relating to Our Operations — We have limited insurance coverage, and any claims beyond our insurance coverage may result in our incurring substantial costs and a diversion of resources."

SOCIAL, HEALTH, WORK SAFETY AND ENVIRONMENTAL MATTERS

We acknowledge our environment protection and social responsibilities and are aware of the environmental, energy, climate-related and workplace safety issues that may impact our Group's business operations. We have implemented company-wide environmental, health and safety ("**EHS**") policies and standard operating procedures in relation to work safety, environmental protection, fire safety, emergency response and occupational health. Our employees are required to regularly take internal and external training on EHS matters. We are committed to complying with environmental, social and governance ("**ESG**") reporting requirements upon [**REDACTED**].

Our Board has overall responsibility for (i) overseeing and determining our Group's environmental, social, and climate-related risks and opportunities that impact our Group, (ii) establishing ESG related targets of our Group, (iii) adopting the ESG related policies, and (iv) reviewing our Group's performance in ESG matters. Our EHS department is responsible for monitoring the day-to-day practice of ESG-related matters and implementing our ESG policies.

Environmental Protection

We strive to operate our facilities in a manner that protects the environment. We do not operate in a highly polluting industry, but the manufacturing process of our products and product candidates for clinical trials and research involves the use of hazardous, flammable and toxic materials, and may exhaust gas and generate wastewater, solid waste, and other hazardous waste.

To ensure compliance with national, industrial, and local environmental standards, laws, regulations, and policies, we have implemented internal policies for environmental risk prevention. These policies include: (i) strict adherence to cGMP regulations and relevant pollutant emissions standards in the industry; (ii) implementing stringent guidelines of procedures for operating in our laboratory and manufacturing facilities, covering solid waste disposal, wastewater and exhaust gas treatment, and management of chemicals that are hazardous, flammable, explosive and highly toxic; and (iii) conducting periodic environmental assessments on exhaust gas emissions, hazardous waste disposal, and wastewater emissions.

During the Track Record Period and up to the Latest Practicable Date, we had not received any fines or penalties associated with the breach of any environmental laws or regulations. To the best knowledge and belief of our Directors, we are not subject to material environmental liability risk and will not incur material compliance costs in the future.

We continuously monitor and strive to reduce hazardous waste production. The wastewater and exhaust gas generated in our R&D and manufacturing process are pretreated by us before being discharged. Our efforts have led to a decrease in wastewater discharge levels related to research and testing from approximately 38,000 tons in the nine months ended September 30, 2023 to approximately 36,700 tons in the nine months ended September 30, 2024. Similarly, solid waste transferred to third parties decreased from approximately 20 tons in the nine months ended September 30, 2023 to approximately 16 tons in the nine months ended September 30, 2024. For hazardous wastes (including medical waste) generated from R&D and manufacturing activities, we engage qualified third parties for disposal. In 2023 and the nine months ended September 30, 2024, we incurred costs of approximately RMB169.2 thousand and RMB122.5 thousand, respectively, for hazardous waste disposal. These third-party service providers operate in accordance with relevant governmental laws and regulations. We are committed to ongoing efforts to protect the ecological environment during our business operations, aiming to minimize adverse environmental impacts.

Resource Consumption

In pursuit of our sustainable development objectives, we rigorously oversee our environmental protection performance across various domains, including resource efficiency and energy consumption. We closely monitor our electricity and water consumption levels and actively implement strategies to enhance energy efficiency and promote water conservation. In aggregate, our electricity consumption levels were approximately 6.7 million kWh and 6.4 million kWh, respectively, in 2023 and the nine months ended September 30, 2024. Our water consumption levels were approximately 95,000 tons and 81,195 tons, respectively, in 2023 and the nine months ended September 30, 2024.

Aligned with the ESG evaluation system standards in China and industry best practices, we are committed to mitigating or minimizing the adverse environmental impacts resulting from our operations. With the expansion of our business and anticipated commercialization of our drug candidates, we expect our resource consumption to increase. However, we have developed, and will continue to implement, environmental management plans aimed at

continually enhancing our energy consumption efficiency and ensuring compliance with all governmental environmental regulations and requirements. Our current objective is to establish a robust ESG governance mechanism and system for our Company. The historical energy consumption data from the Track Record Period will serve as a foundational basis for devising pertinent energy reduction strategies and establishing suitable reduction targets for the future.

To achieve our goal of sustainable development, we have already implemented the following environmentally friendly measures:

- promote environmental awareness among all staff by encouraging them to minimize paper waste and conserve water and electricity resources, such as placing water-saving or power-saving signs in prominent areas to capture attention and foster our employees' commitment to environment protection;

- encouraging our employees to avoid printing hard copies and requiring double-sided printing whenever possible;

- regularly conducting inspections of our equipment in laboratories and manufacturing facilities to check for abnormal conditions, and make prompt report to avoid potential damages;

- carrying out manual check after shift to eliminate unnecessary lighting; and

- promoting recycling schemes, seeking alternative ways of disposing of and reducing waste in environmental-friendly ways.

During the Track Record Period, we complied with the relevant environmental laws and regulations in all material aspects and we did not have any incidents or complaints which had a material and adverse effect on our business, financial condition or results of operations.

Climate Change

We believe that we are not susceptible to climate change. Moreover, we consider that potential changes to the regulations in the PRC regarding climate change will not adversely impact our business operations. We will continue to pay attention to risks regarding climate change and formulate emergency plans to safeguard us from climate change and extreme weather conditions, such as hurricane and rainstorms. As of the Latest Practicable Date, we had not experienced any material impact on our business operations or financial performance as a result of climate change or extreme weather conditions.

Preclinical and Clinical Study

We have implemented a series of measures to bolster laboratory and clinical trial safety while ensuring compliance with relevant regulations. These measures include the establishment and enforcement of internal policies and procedures aimed at clinical trial safety, starting with: (a) formulating a comprehensive R&D project management policy to oversee the entire lifecycle process of drug development, encompassing preclinical studies and clinical trials; (b) implementing guidelines pertaining to employee health and safety, environmental protection, and operational safety within laboratory settings; (c) monitoring AEs associated with drugs and drug candidates during clinical trials and maintaining accurate records of these events for each trial; (d) conducting analysis of collected AEs and assessing associated safety risks; (e) reporting SAEs and potential safety risks; and (f) facilitating communication with relevant employees and CROs to ensure enforcement of clinical trial protocols.

Workplace Safety

We are dedicated to ensuring a safe working environment for our employees. We firmly believe that a safe and healthy workplace is not only crucial for the well-being of our employees but also indispensable for the sustainability of our business. We have implemented and upheld a comprehensive set of rules, standard operating procedures, and measures to ensure the health and safety of our employees. Our safety guidelines cover a range of areas including identifying potential hazards, safe practices, accident prevention, and procedures for reporting accidents. We ensure that our employees continually acknowledge their understanding of safety protocols as needed. Specifically, we:

- have established guidelines governing laboratory procedures and the handling, use, storage, treatment, and disposal of hazardous materials and wastes;

- provide regular safety awareness training to our employees, including sessions on fire control and safety;

- fully inform our employees of the occupational disease factors they may be exposed to through a safety warning letter during the onboarding process;

- maintain health records for all employees and conduct health examinations before, during, and after their tenure with our Company, especially for those engaged in work involving occupational hazards;

- engage qualified third-party testing agencies for periodic evaluation on occupational disease hazard factors in the workplace, and submit the results to local authorities for record; and

- conduct regular fire safety inspections, ensure the maintenance of firefighting equipment, and organize routine emergency drills to prepare employees for emergency situations.

Workplace Diversity

Within our Company, we are steadfast in our commitment to fostering an open and inclusive workplace that champions equality. We adhere to a corporate policy of hiring employees based solely on their merits, offering equal opportunities regardless of gender, age, race, religion, or any other social or personal characteristics. As of September 30, 2024 approximately 49% of our total employees were female. Our employee management system operates on principles of fairness and transparency, and we actively work to enhance gender and age diversity within our workforce.

LAND AND PROPERTIES

We are headquartered in Shanghai, China. We own properties in Shanghai and we lease properties in Shanghai and Suzhou, Jiangsu Province in China.

The Property Valuation Report from AVISTA, an independent property valuer, set out in Appendix III of this document, sets out details of our selective property interests as of November 30, 2024. AVISTA valued these property interests at an amount of RMB498.6 million as of November 30, 2024. Except for the property interests set forth in the property valuation report from AVISTA, no single property interest that forms part of our non-property activities had a carrying amount representing 15% or more of our total assets as of September 30, 2024.

Owned Properties

As of the Latest Practicable Date, we owned land use rights of two parcels of land in Shanghai, China with an aggregate site area of 99,637.6 sq.m. On one of these parcels, we owned seven buildings with an aggregate gross floor area (GFA) of 23,974.1 sq.m., which is used as our manufacturing facilities, administrative offices and R&D buildings. We obtained real estate certificates indicating (i) our land use right of the aforementioned parcels, and (ii) our ownership of the aforementioned building. The other land parcel had a property under construction with a planned GFA of 73,605.9 sq.m. We intend to use this premise as our manufacturing facility for complex biologics, particularly recombinant enzymes, as well as administrative offices and R&D buildings. For more details, see "— Manufacturing — Manufacturing Facilities." As of the Latest Practicable Date, we had obtained the relevant land use rights certificate (不動產權證書), construction land planning permit (建設用地規劃許可證), construction planning permit (建設工程規劃許可證) and construction work commencement permit (施工許可證) from the government authorities for such property under construction. Based on the foregoing, our PRC Legal Advisors are of the view that we had obtained requisite administrative permits required for the current stage of construction in all material aspects. We expect to obtain the relevant building ownership certificate for these properties in accordance with procedures after completion of the construction and acceptance of such properties.

Leased Properties

As of the Latest Practicable Date, we leased six properties with an aggregate GFA of approximately 3,838 sq.m. from Independent Third Parties as our employee dormitories, office premises and R&D centers in the PRC. The relevant lease agreements generally provide a duration of up to 36 months.

The following table sets forth the details of our leased properties as of the Latest Practicable Date:

Location	Usage	GFA (sq.m)	Lease Term
Shanghai, the PRC	Employee Dormitory*	1,297	September 20, 2024 – September 19, 2026
Suzhou, the PRC	Office and R&D premise	1,133	December 9, 2024 – December 8, 2027
Suzhou, the PRC	Office and R&D premise	1,007	January 1, 2024 – December 31, 2026
Suzhou, the PRC	Office and R&D premise	132	August 1, 2023 – July 31, 2026
Shanghai, the PRC	Employee Dormitory	142	September 1, 2024 – August 31, 2025
Suzhou, the PRC	Office and R&D premise	127	January 1, 2025 – December 31, 2026

* The lease of this premise is composed of 20 separate leases.

AWARDS AND RECOGNITION

The following table sets forth the major awards and recognition we received as of the Latest Practicable Date:

Year(s) of Grant	Award/Recognition	Issuing Authority
2024	2024 Chinese Healthcare Front-Runners Top 100 Excellent Leaders List ("2024中國生物醫藥領跑者100"卓越領袖榜)	International Biopharma Industry Week Committee (上海國際生物醫藥產業周組委會)
2024	Shanghai Unicorn (Potential) Enterprise to Receive Prioritized Service for 2024 (2024年上海市重點服務獨角獸(潛力)企業)	Shanghai Centre for Small and Medium Enterprise Development Services (上海市中小企業發展服務中心), Beijing Greatwall Institute for Enterprise Strategy (北京市長城企業戰略研究所)
2024	Science and Innovation Contribution Enterprise for 2023 (2023年度科創貢獻企業)	The Communist Party Committee of Shanghai Baoshan District (中共上海市寶山區委員會), The People's Government of Shanghai Baoshan District (上海市寶山區人民政府)
2024	Baoshan Three-river Excellent Talent Team (寶山區三江英才優秀人才團隊)	Organization Department of the Communist Party Committee of Shanghai Baoshan District (中共上海市寶山區委組織部), Shanghai-Baoshan Municipal Talent Work Bureau (上海市寶山區人才工作局)
2024	National Technological Small and Medium-sized Enterprise (國家級科技型中小企業) (Suzhou Kangju, Suzhou Centergene)	Jiangsu Provincial Department of Science and Technology (江蘇省科學技術廳)

Year(s) of Grant	Award/Recognition	Issuing Authority
2023	Shanghai Enterprise Technology Center (上海市企業技術中心)	Shanghai Municipal Commission of Economy and Informatization (上海市經濟和信息化委員會), Shanghai Municipal Finance Bureau (上海市財政局), Shanghai Municipal Tax Service, State Taxation Administration (國家税務總局上海市税務局), Customs of Shanghai of the People's Republic of China (中華人民共和國上海海關)
2023	Synthetic Biology (Recombinant Drugs) Innovative Consortia (合成生物(重組藥物)創新聯合體)	Science and Technology Commission of Shanghai Baoshan District (上海市寶山區科學技術委員會)
2023	Shanghai "Specialized, Refined Characterized and Innovative" Small and Medium-Sized Enterprise (上海市"專精特新"中小企業)	Shanghai Municipal Commission of Economy and Informatization (上海市經濟和信息化委員會)
2022	High-Tech Enterprise (高新技術企業)	Science and Technology Commission of Shanghai Municipality (上海市科學技術委員會), Shanghai Municipal Finance Bureau (上海市財政局), Shanghai Municipal Tax Service, State Taxation Administration (國家税務總局上海市税務局)
2022	Zhangjiang National Independent Innovation Demonstration Zone "Zhangjiang Star" Potential Enterprise (張江國家自主創新示範區"張江之星"潛力型企業)	Management Committee of Shanghai Zhangjiang High-Tech Industrial Development Zone (上海市張江高新技術產業開發區管理委員會)
2022	High-Tech Enterprise (高新技術企業) (Suzhou Kangju, Suzhou Centergene)	Jiangsu Provincial Department of Science and Technology (江蘇省科學技術廳), Jiangsu Provincial Department of Finance (江蘇省財政廳), Jiangsu Provincial Tax Service, State Taxation Administration (國家税務總局江蘇省税務局)

Year(s) of Grant	Award/Recognition	Issuing Authority
2022	Science and Innovation Rising Star Award for 2021 (2021年度科創新銳獎)	The Communist Party Committee of Shanghai Baoshan District (中共上海市寶山區委員會), The People's Government of Shanghai Baoshan District (上海市寶山區人民政府)
2022	Science and Innovation Partner for 2021 (2021年度科創合夥人)	The Communist Party Committee of Shanghai Baoshan District (中共上海市寶山區委員會), The People's Government of Shanghai Baoshan District (上海市寶山區人民政府)
2022	Shanghai Foreign Research and Development Center (上海市外資研發中心)	Shanghai Municipal Commission of Commerce (上海市商務委員會)
2021	Scientific and Technological Innovation Demonstration Enterprise for Building the Main Position of Scientific and Technological Innovation Centre in Baoshan District (寶山區建設全市科創中心主陣地科創示範企業)	The Communist Party Committee of Shanghai Baoshan District (中共上海市寶山區委員會), The People's Government of Shanghai Baoshan District (上海市寶山區人民政府)
2021	Shanghai May Day Labor Award (上海市五一勞動獎狀)	Shanghai Federation of Labor Unions (上海市總工會), Shanghai Municipal Human Resources and Social Security Bureau (上海市人力資源和社會保障局)
2021	Potential Unicorn Enterprise in Southern Jiangsu National Independent Innovation Demonstration Zone for 2021 (2021年蘇南國家自主創新示範區潛在獨角獸企業)	Jiangsu Provincial Department of Science and Technology (江蘇省科學技術廳)

LICENSES, PERMITS AND APPROVALS

Our PRC Legal Advisor has advised us that during the Track Record Period and up to the Latest Practicable Date, we had obtained all licenses, permits, approvals and certificates from the relevant government authorities that are material for our business operations in the PRC.

The following table sets forth details of selected material licenses and permits obtained by our Group as of the Latest Practicable Date:

License/Permit	Holder	Date of Grant	Expiry Date
Drug Production License (Type A) (藥品生產許可證(A證))	Our Company	December 13, 2022	December 12, 2027
Drug Production License (Type C) (藥品生產許可證(C證))	Our Company	May 15, 2023	December 12, 2027
Drug Production License (Type B) (藥品生產許可證(B證))	Suzhou Centergene	January 6, 2024	January 5, 2029

LEGAL PROCEEDING AND COMPLIANCE

As of the Latest Practicable Date, there was no material litigation, arbitration or administrative proceedings pending or threatened against the Company or any of our Directors which could have a material and adverse effect on the research and development of our drug candidates, our financial condition or results of operations. During the Track Record Period and as of the Latest Practicable Date, except as disclosed under "Risk Factors — Other Risks Relating to Our Operations — We have been, and may from time to time become, involved in claims, disputes, litigation, arbitration or other legal proceedings in the ordinary course of business, which could adversely affect our business, financial conditions, results of operations and reputation," we had not been a party to any actual or threatened material legal or administrative proceedings, and our Directors had not been involved in any such proceedings. For potential impact of legal or administrative proceedings on us, please also refer to the paragraphs headed "Risk Factors — Other Risks Relating to Our Operations — We have been, and may from time to time become, involved in claims, disputes, litigation, arbitration or other legal proceedings in the ordinary course of business, which could adversely affect our business, financial conditions, results of operations and reputation" in this document.

During the Track Record Period and up to the Latest Practicable Date, we had complied, in all material respects, with all relevant laws and regulations in the jurisdictions we operate in. We had not been and were not involved in any non-compliance incidents that led to fines, enforcement actions or other penalties that could, individually or in the aggregate, have a material adverse effect on our Group's business operations.

RISK MANAGEMENT AND INTERNAL CONTROL

We are committed to developing and maintaining risk management and internal control systems comprised of policies and procedures tailored to our business operations. Our dedication lies in the continual enhancement of these systems to ensure their effectiveness.

Risk Management

We recognize that risk management is critical to the success of our business operation. Key operational risks faced by us include changes in the general market conditions and the regulatory environment of the Chinese and global biopharmaceuticals markets, our ability to develop, manufacture and commercialize our drug candidates, and our ability to compete with other biopharmaceutical companies. See "Risk Factors" for a discussion of various risks and uncertainties we face. We also face various financial risks. In particular, we are exposed to interest rate risk, foreign currency risk, credit risk, and liquidity risk that arise in the normal course of our business. See "Financial Information — Financial Risk Disclosure" for a discussion of these financial risks.

We have implemented a comprehensive set of risk management policies that establish a framework for identifying, assessing, evaluating, and continuously monitoring key risks aligned with our strategic objectives. Risks identified by management will be analyzed on the basis of likelihood and impact, and will be properly followed up and mitigated and rectified by our Group and reported to our Directors. Our audit committee supervise the implementation of our risk management policies.

The following key principles outline our Group's approach to risk management and internal control we plan to implement:

- Our audit committee will oversee, evaluate, and enhance the internal control system, which includes: (i) reviewing internal control and risk management policies and providing suggestions for improvement; (ii) engaging in discussions with management to evaluate the effectiveness of internal control and risk management policies, ensuring that management fulfills its duties in formulating effective policies; (iii) analyzing material findings related to internal control and assessing the measures taken by management; and (iv) supervising potential misconduct by employees regarding internal control and establishing procedures to investigate and address complaints related to internal control within the Company.

- Our Board will be responsible for (i) formulating our risk management policy and reviewing major risk management issues of our Company; (ii) providing guidance on our risk management approach to the relevant teams in our Company; (iii) reviewing the relevant teams' reporting on key risks and providing feedbacks; and (iv) implementing of our risk management measures by the relevant teams.

- The relevant departments within our Company bear the responsibility of implementing our risk management policy and executing day-to-day risk management practices. To standardize risk management procedures across our organization and ensure a consistent level of transparency and risk management performance, these teams will: (i) collect information regarding the risks associated with their respective operations or functions; (ii) conduct comprehensive risk assessments, encompassing the identification, prioritization, measurement, and categorization of all key risks that could impact their objectives; (iii) prepare an annual risk management report for review by our chief executive officer; (iv) continuously monitor key risks pertinent to their operations or functions; (v) implement appropriate risk responses when necessary; and (vi) develop and maintain a suitable mechanism to facilitate the application of our risk management framework.

We consider that our Directors and members of our senior management possess the necessary knowledge and experience in providing good corporate governance oversight in connection with risk management and internal control.

Internal Control

Our Board is responsible for establishing our internal control system and reviewing its effectiveness. We engaged an internal control consultant (the "**Internal Control Consultant**") in November to December 2024 to perform certain agreed-upon procedures (the "**Internal Control Review**") in connection with the internal control of our Company and our major operating subsidiaries in certain aspects, including entity-level controls, financial reporting and disclosure controls, human resources and payroll management, general controls of IT system and other procedures of our operations. The Internal Control Consultant performed the Internal Control Review, identified internal control deficiencies and provided recommendation accordingly. We have adopted the corresponding remediation actions to improve the effectiveness of internal control system. The Internal Control Consultant performed a follow-up review with regard to those actions taken by us and there are no further material findings identified in the process of the follow up review. As of the Latest Practicable Date, there were no material outstanding issues relating to our Company's internal control.

During the Track Record Period, we regularly reviewed and enhanced our internal control system. Below is a summary of the internal control policies, measures and procedures we have implemented or plan to implement:

- We have adopted various measures and procedures regarding each aspect of our business operation, such as related party transaction, risk management, environmental protection and occupational health and safety. For more information, see "— Social, Health, Work Safety and Environmental Matters" in this section. We provide periodic training about these measures and procedures to our employees as

part of our employee training program. Our internal audit department conducts audit field work to monitor the implementation of our internal control policies, reports any weaknesses identified to our management and audit committee, and follows up on the rectification actions.

- We provide various training programs to keep our employees updated on relevant laws, regulations, and policies. Our new employees are required to attend compliance training programs soon after on-boarding and must pass tests which examine their understanding of the compliance issues addressed by the training programs. Our employees are also required to regularly attend on-site and online training sessions to keep them informed of recent updates in the relevant laws and regulations.

- Our Directors (who are responsible for monitoring the corporate governance of our Group), with help from our legal advisors, will also periodically review our compliance status with all relevant laws and regulations after the [**REDACTED**].

- We have established an audit committee which (i) makes recommendations to our Directors on the appointment and removal of external auditors; and (ii) reviews the financial statements and renders advice in respect to financial reporting as well as oversees internal control procedures of our Group.

- We maintain strict anti-corruption policies. We believe we will therefore be less affected by the increasingly stringent measures taken by the PRC government to correct corruptive practices in the biopharmaceutical industry.

Following the [**REDACTED**], the following transaction will continue between our Group and the relevant connected person, which will constitute a continuing connected transaction under the Listing Rules.

RELEVANT CONNECTED PERSON

Following the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), we will become directly owned as to [**REDACTED**]% by Center Lab, which is wholly-owned by Center Laboratories. As at the Latest Practicable Date, Lumosa Therapeutics Co., Ltd. (順天醫藥生技股份有限公司) ("**Lumosa**") is held as to approximately 34.20% by Center Laboratories. Pursuant to Rule 14A.07(4) of the Listing Rules, Lumosa is a connected person of our Company.

FULLY EXEMPT CONTINUING CONNECTED TRANSACTION

Business Development Service Agreement

Principal Terms

Our Company [has] entered into a business development service agreement (the "**Business Development Service Agreement**") with Lumosa on [●], 2025, pursuant to which Lumosa shall provide certain business development, marketing, and communications services (the "**Business Development Services**") to our Company pertaining to the Company's certain pipeline products including KJ103 and KJ017. Pursuant to the Business Development Service Agreement, the Company shall pay Lumosa a sum of (i) fixed monthly service fee; (ii) costs and expense incurred by Lumosa for the provision of Business Development Services; and (iii) if the Company successfully enters into any transaction with third party as a result of the Business Development Services, a percentage of the proceeds received from such transaction, including but not limited to any signing fees, milestone fees, sales right fees, distributorship revenues and payments for goods, after deducting applicable taxes and any costs and expenses paid by the Company for the provision of the Business Development Services (collectively, the "**Service Fee**").

The Business Development Service Agreement is non-exclusive, non-assignable and has a term of two years commencing from the [**REDACTED**]. Subject to compliance with Listing Rules and applicable laws and regulations, the Business Development Service Agreement may be renewed for a further term of no more than three years from time to time, unless either party notifies the other party to the contrary with 60 days' written notice prior to the expiry of the agreement's term.

Pricing Policies

The Service Fee was determined by our Company and Lumosa after arm's length negotiations primarily with reference to the current fee rates of similar business development services (i) provided by Lumosa and its affiliates to other clients; and (ii) provided by Independent Third Party service providers to the Group.

Listing Rules Implications

Based on the historical transaction amounts of the Business Development Services, details of which are set out in note 31 to the Accountants' Report in Appendix I and the estimated amount of the net proceeds received by us in any transaction resulting from the Business Development Services provided by Lumosa, it is expected that the maximum amounts payable by us to Lumosa in respect of the Business Development Services for each of the three years ending December 31, 2025, 2026 and 2027 will not exceed RMB1.3 million.

As our Company is eligible for [**REDACTED**] on the Stock Exchange under Chapter 18A of the Listing Rules as a biotech company, the revenue ratio under Rule 14.07 of the Listing Rules would not be an appropriate measure of the size of relevant continuing connected transactions set out in this section. As an alternative, we have applied a percentage ratio test based on the total operating expenses of our Group.

As the Business Development Service Agreement was entered into and has been conducted in the ordinary and usual course of business and on normal commercial terms or better, and all of the applicable percentage ratios under the Listing Rules in respect of the annual caps under the Business Development Services Agreement is expected to be less than 5% on an annual basis and the total consideration on an annual basis is less than HK$3.0 million, pursuant to Rule 14A.76(1) of the Listing Rules, the transactions contemplated under the Business Development Services Agreement will be exempt from the reporting, annual review, announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

OUR CONTROLLING SHAREHOLDERS

Pursuant to an acting-in-concert agreement dated March 10, 2021 (the "**AIC Agreement**"), entered into by and amongst Dr. Liu, Ms. Wang and Mr. Tan (together, the "**Concert Parties**"), the Concert Parties confirmed that they have acted in concert in the management and operation of our Group since the date of the AIC Agreement, and they have agreed to continue to act in concert and reach consensus on any proposal related to the daily management and operation of our Group presented to the meeting of the Board and the general meeting of the Shareholders of our Company for voting. As of the Latest Practicable Date, the Concert Parties were collectively interested in approximately 45.91% of our total issued share capital, comprising: (i) 21.21% of our total issued share capital directly held by Dr. Liu; (ii) 11.69% of our total issued share capital controlled by Dr. Liu indirectly through the Share Incentive Platforms (i.e., Shanghai Luoxu, Ningbo Hongsheng and Shanghai Luojun), of which the executive partner is Dr. Liu; (iii) 7.81% of our total issued share capital directly held by Ms. Wang; and (iv) 5.21% of our total issued share capital directly held by Mr. Tan. Therefore, the Concert Parties, Shanghai Luoxu, Ningbo Hongsheng and Shanghai Luojun are considered as a group of Controlling Shareholders of our Company. For details of the AIC Agreement and the shareholding of our Controlling Shareholders, see "History, Development and Corporate Structure—Acting In Concert Agreement" and "Substantial Shareholders."

Dr. Liu is the co-founder of our Group, executive Director and the Chairman of our Board. Ms. Wang is the co-founder of our Group, executive Director and Chief Executive Officer of our Company. Mr. Tan is an executive Director and the director of internal control of our Company. For background of Dr. Liu, Ms. Wang and Mr. Tan, see "Directors, Supervisors and Senior Management."

Immediately following the completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised) the Controlling Shareholders will together control approximately [**REDACTED**]% of our total [**REDACTED**] share capital. Accordingly, the Controlling Shareholders will remain as a group of Controlling Shareholders of the Company upon the [**REDACTED**].

INTERESTS OF THE CONTROLLING SHAREHOLDERS IN OTHER BUSINESSES

Our Controlling Shareholders confirmed that as of the Latest Practicable Date, they did not have any interest in other business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS GROUP

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently of our Controlling Shareholders after the [**REDACTED**].

Management Independence

Our Board comprises four executive Directors, three non-executive Directors and four independent non-executive Directors. Our Company has three Supervisors and a senior management team comprising five members (including four executive Directors). See "Directors, Supervisors and Senior Management" for further details.

Our Directors consider that our Company will function independently from our Controlling Shareholders because:

(a) each Director is aware of his or her fiduciary duties as a director which require, among other things, that he or she acts for the benefit and in the interest of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and a Director and/or his/her associate, he/she is required to declare the nature of such interest before voting at the relevant Board meetings of our Company in respect of such transactions and the interested Director shall abstain from voting and shall not be counted towards the quorum for the voting;

(b) the day-to-day management and operations of our Group are carried out by a senior management team, all of whom have substantial experience in the industry in which our Group is engaged, and will therefore be able to make business decisions that are in the best interests of our Group. For details of the background of management, see "Directors, Supervisors and Senior Management";

(c) we have appointed four independent non-executive Directors, comprising more than one-third of the total members of our Board, who have sufficient knowledge, experience and competence, so that there is a balanced composition of executive, non-executive Directors and independent non-executive Directors to ensure the independence of the Board in making decisions affecting our Company and to promote the interests of our Company and the Shareholders as a whole. For details of the background of independent non-executive Directors, see "Directors, Supervisors and Senior Management";

(d) our Company has established internal control mechanisms to identify connected transactions to ensure that our Shareholders or Directors with conflicting interests in a proposed transaction will abstain from voting on the relevant resolutions. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective close associates, the interested Director is obliged to declare and fully disclose such potential conflict of interest and shall abstain from voting at the relevant Board meetings of our Company in respect of such transactions and shall not be counted in the quorum; and

(e) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and the Controlling Shareholder which would support our independent management. For details, see "— Corporate Governance Measures" below.

Based on the above, we believe that our Board and senior management as a whole are able to perform the managerial role independently from our Controlling Shareholders.

Operational Independence

Although our Controlling Shareholders will retain a controlling interest in us after [**REDACTED**], we have full rights to make all decisions on, and to carry out, our own business operations independently. Our Company, through our subsidiaries, holds the licenses and qualifications necessary to carry on our current business, and has sufficient capital, facilities, technology and employees to operate the business independently from our Controlling Shareholders. We have access to third parties independently from and not connected to our Controlling Shareholders for sources of suppliers and customers.

Our Directors are of the view that there is no operational dependence by us on our Controlling Shareholders, and our Group is able to operate independent from our Controlling Shareholders after the [**REDACTED**].

Financial Independence

We have established our own finance department with a team of financial staff, who are responsible for financial control, accounting, reporting, group credit and internal control functions of the Company, independent from the Controlling Shareholders. We are able to make financial decisions independently and the Controlling Shareholders and their respective close associates do not intervene with our financial matters. We have also established an independent audit system, a standardized financial and accounting system and a complete financial management system.

In addition, we are capable of obtaining financing from third parties at reasonable costs without relying on any guarantee or security provided by the Controlling Shareholders or their close associates (other than the Group). As of the Latest Practicable Date, there are no outstanding loans or guarantees provided by, or granted to, our Controlling Shareholders or their respective associates.

Based on the above, our Directors are of the view that we are capable of carrying on our business independently of, and do not place undue reliance on the Controlling Shareholders and their respective close associates after the [**REDACTED**].

CORPORATE GOVERNANCE MEASURES

Our Company will comply with the provisions of the Corporate Governance Code in Appendix C1 to the Listing Rules ("**Corporate Governance Code**"), which sets out principles of good corporate governance in relation to, among other matters, directors, the chairman and executive officer, board composition, the appointment, re-election and removal of directors, their responsibilities and remuneration and communications with shareholders.

Our Directors recognize the importance of good corporate governance in protecting our Shareholders' interests. We have adopted the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and our Controlling Shareholders:

(a) where a Shareholders' meeting is to be held for considering proposed transactions in which the Controlling Shareholders or any of their respective associates has a material interest, the Controlling Shareholders will not vote on the resolutions and shall not be counted in the quorum in the voting;

(b) the Company has established internal control mechanisms to identify connected transactions. Upon [**REDACTED**], if the Company enters into connected transactions with the Controlling Shareholders or any of their respective associates, the Company will comply with the applicable Listing Rules;

(c) our Board consists of a balanced composition of executive, non-executive and independent non-executive Directors, with more than one-third of independent non-executive Directors to ensure that our Board is able to effectively exercise independent judgment in its decision-making process and provide independent advice to our Shareholders. Our independent non-executive Directors individually and collectively possess the requisite knowledge and experience to perform their roles. They will review whether there is any conflict of interests between our Group and our Controlling Shareholder and provide impartial and professional advice to protect the interest of our minority Shareholders;

(d) where the advice from an independent professional, such as that from financial or legal advisor, is reasonably requested by our Directors (including the independent non-executive Directors), the appointment of such independent professional will made at our Company's expenses; and

(e) we have appointed Rainbow Capital (HK) Limited as our Compliance Adviser to provide advice and guidance to us in respect of compliance with the Listing Rules, including various requirements relating to corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflict of interests that may arise between our Group and the Controlling Shareholders, and to protect the interest of our Shareholders, in particular, the minority Shareholders after the [**REDACTED**].

You should read the following discussion and analysis in conjunction with our consolidated financial information, included in the Accountants' Report in Appendix I to this document, together with the respective accompanying notes. Our consolidated financial information has been prepared in accordance with 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 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 pioneer in China leveraging synthetic biology technology to develop and deliver recombinant biologic drugs that address significant clinical needs yet are difficult to produce. From our inception, we have strategically focused on creating biologic drugs that elevate treatment standards by replacing biochemically extracted products derived from animal organs, blood or urine, or otherwise upgrading the current treatments. We have established proprietary technology platforms, anchored by our unique chassis cell engineering technology, combining advanced drug design and bioprocessing capabilities. Our technology platforms enable us to achieve a leading position in developing drug candidates across four strategic therapeutic areas with a combined total addressable market size exceeding RMB50 billion by 2033 in China according to Frost & Sullivan: (i) high-volume subcutaneous (SC) drug delivery, (ii) antibody-mediated autoimmune conditions, (iii) drugs in assisted reproduction and (iv) recombinant biologic products as transformative alternative to traditional biochemical production.

We currently have no products approved for commercial sale and were loss-making during the Track Record Period. In 2023 and the nine months ended September 30, 2023 and 2024, we incurred net losses of RMB160.4 million, RMB113.0 million and RMB263.2 million, respectively. Substantially all of our net losses resulted from research and development expenses and administrative expenses. In 2023 and the nine months ended September 30, 2023 and 2024, we recognized revenue of RMB6.9 million, RMB5.0 million and RMB4.4 million, respectively, which were derived from our sales of materials and provision of technical services.

We expect to incur significant amount of expenses for at least the next several years as we continue to advance the preclinical research, clinical development, and manufacturing of our drug candidates, to prepare for the commercial launch of our future approved drugs, as well as to recruit more talents necessary to operate our business. Subsequent to the [**REDACTED**], we expect to incur costs associated with operating as a [**REDACTED**] company. We expect that our financial performance will fluctuate from period to period due to the development status, regulatory approval timeline and commercialization of our pipeline products.

BASIS OF PREPARATION

Our historical financial information has been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**"), which comprise all standards and interpretations approved by the International Accounting Standards Board ("**IASB**"). For the purpose of preparing the historical financial information throughout the Track Record Period, we have early adopted all applicable IFRSs effective for the accounting period commencing from January 1, 2024, together with the relevant transitional provisions. The historical financial information has been prepared under the historical cost convention.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, affected by a number of factors, many of which may be beyond our control. A discussion of the key factors is set out below.

Our Ability to Successfully Develop and Commercialize Our Drug Candidates

Our business and results of operations depend on our ability to successfully advance our drug development programs, demonstrate favorable safety and efficacy clinical trial results, obtain the requisite regulatory approvals, secure adequate manufacturing capacity, and commercialize our products in targeted markets as planned. By harnessing our deep understanding in synthetic biology technologies, we have cultivated a differentiated pipeline of twelve assets, including five in clinical stage and seven in preclinical stage, as of the Latest Practicable Date. Three out of five clinical-stage drug candidates have progressed into late-stage trial- or NDA registration-stage in China, namely our Core Products, KJ017, KJ103 and SJ02. See "Business — Our Drug Candidates" for more information on the development status of our drug candidates.

The time required to obtain marketing approvals from the NMPA, FDA, or other comparable regulatory authorities is unpredictable, but it typically takes several years following the commencement of clinical trials. Any delays in the regulatory approvals for any of our drug candidates in major markets will correspondingly delay our ability to generate revenue from those drug candidates in those markets and adversely affect our results of operations. We have filed NDAs for SJ02 and KJ017 with the NMPA in 2023 and 2024, respectively. Subject to regulatory communications and review status, we expect to receive the relevant marketing approvals for SJ02 and KJ017 in China by the end of 2025.

Upon commercialization of SJ02, KJ017, and our other drug candidates, our business and results of operations will be driven by the market acceptance, sales of our drug products, as well as our manufacturing capabilities to meet growing demands. The successful commercialization may also require significant marketing efforts and inputs before we are able to generate any revenue from product sales. We plan to collaborate with leading industry

players and leverage their established distribution channels and robust sales and marketing capabilities to achieve fast market access in the short run. As our market penetration deepens, we may also assemble a dedicated sales and marketing team to enhance in-house commercialization capabilities. Despite our adaptive commercialization strategy, if we fail to achieve the degree of market acceptance, we may not be able to generate revenue as expected. See "Risk Factors — Other risks relating to our business — Risks relating to commercialization of our drug candidates" for more details of the risks in relation to commercialization of our drug candidates.

Our Cost Structure

Our results of operations are significantly affected by our cost structure, which primarily includes research and development expenses and administrative expenses.

Research and development expenses have been, and are expected to continue to be, a major component in our cost structure. We have invested a significant portion of our efforts and financial resources in the development of our drug candidates. During the Track Record Period, our research and development expenses primarily consisted of (i) share-based payments incurred from our grant of share incentives to research and development personnel, (ii) staff costs, mainly including wages, bonus, and other welfare benefits for our research and development personnel, (iii) trial and testing expenses for our drug candidates, primarily in relation to the engagement of CROs, CDMOs, and other service providers, (iv) depreciation and amortization expenses for property, plant and equipment, right-of-use assets, and other intangible assets used for research and development purpose, and (v) cost of raw materials consumed in the course of our research and development activities. See "— Description of Selected Components of Consolidated Statements of Profit or Loss and Other Comprehensive Income — Research and Development Expenses" for details. In 2023 and the nine months ended September 30, 2023 and 2024, our research and development expenses amounted to RMB132.5 million, RMB95.9 million and RMB183.7 million, respectively.

During the Track Record Period, our administrative expenses primarily consisted of (i) share-based payments incurred from our grant of share incentives to management and administrative personnel, (ii) staff costs, mainly including wages, bonus, and other welfare benefits for our management and administrative personnel, (iii) depreciation and amortization expenses for property, plant and equipment, right-of-use assets, and other intangible assets used for administrative purpose, (iv) general office expenses, (v) professional service fees paid to legal advisors, auditors, asset valuers, and other consulting service providers, and (vi) taxes and surcharges. See "— Description of Selected Components of Consolidated Statements of Profit or Loss and Other Comprehensive Income — Administrative Expenses" for details. In 2023 and the nine months ended September 30, 2023 and 2024, our administrative expenses amounted to RMB46.4 million, RMB33.9 million and RMB78.1 million, respectively.

We expect our cost structure to evolve as we continue to develop and expand our business. As the preclinical studies and clinical trials of our drug candidates continue to progress and as we gradually bring our pipeline products to commercialization, we expect to incur additional costs in relation to research and development, manufacturing, regulatory affairs, and sales and marketing efforts, among other things. Additionally, we anticipate increasing legal, compliance, accounting, insurance, and [**REDACTED**] and [**REDACTED**] relations expenses associated with being a [**REDACTED**] company in Hong Kong.

Our Existing and Future License and Collaboration Arrangements

In recent years, we entered into a number of license and collaboration agreements with international and domestic leading pharmaceutical companies. For details, see "Business — Collaboration Agreements." These strategic partnerships not only enable us to maximize the clinical and commercial value of our drug candidates, but also furnish us the capital support to advance our pipeline assets and foster our long-term growth. The timing and amounts of upfront payments, milestone payments, royalties, and other considerations, as applicable, may differ by agreement and depend on the achievement of certain specified milestone events. Moreover, building on the success of our existing partnerships, we are actively pursuing additional collaborative opportunities to accelerate the clinical development, global registration, and entry into international markets for our pipeline assets. See "Business — Our Strategies — Advance our multi-faceted business model combining self-development, collaboration and excipient supply, and pursue and strengthen strategic partnership with pharmaceutical companies over the world." These factors will influence, and may result in fluctuations in, our revenue, profit, and results of operations from period to period.

Funding for Our Operations

During the Track Record Period, we funded our operations primarily through equity and debt financings. We expect to fund our future operations primarily with existing cash and cash equivalents, bank loans, considerations received under respective license and collaboration agreements, and net [**REDACTED**] from the [**REDACTED**]. Upon the successful commercialization of one or more of our drug candidates, we expect to further complement the funding for our operations with revenue generated from sales of our commercialized drugs. However, with the continuing expansion of our business and product pipeline, we may require further funding through public or private offerings, debt financing, license and collaboration arrangements, or other sources. Any fluctuation in the funding for our operations will impact our cash flow and our results of operations.

MATERIAL ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING JUDGEMENTS 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 have not changed our assumptions or estimates in the past 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 those accounting policies that we believe are material to us or involve the most significant estimates and judgments used in the preparation of our consolidated financial statements. Our material accounting policies and significant accounting judgements and estimates, which are important for an understanding of our financial position 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

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 we expect 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 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) Sale of materials

Revenue from the sale of materials is recognized at the point in time when control of the products is transferred to the customer upon receipt of the goods.

(b) Technical services

We provide technical support to the consumers for the joint development of subcutaneous formulations in combination with our drug candidates. We recognize revenue from technical services at the point in time when the customer obtains technical support, limited to the consideration that is not constrained, as we do not perform any activities that significantly affect the license and technology to which the customer has rights. Non-refundable payments received before the satisfaction of all of the relevant criteria for revenue recognition are recorded as contract liabilities.

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, we recognize such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Category	Principal annual rate
Decoration	20.00%-33.33%
Buildings	2.79%
Office equipment	9.50%-31.67%
Electronic equipment	9.50%-31.67%
Machinery	9.50%-31.67%
Motor vehicles	19.00%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially 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 each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Software

Purchased software is stated at cost less any impairment losses and is amortized on the straight-line basis over its estimated useful lives of five to ten years.

Patents and licenses

Purchased patents and licenses are stated at cost less any impairment losses and are amortized on the straight-line basis over their estimated useful lives of ten years.

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalized and deferred only when we can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, the intention to complete and the 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.

Investments in Associates

An associate is an entity in which we have a long-term interest of generally not less than 20% of the equity voting rights and over which we have 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.

Our investments in associates are stated in the consolidated statements of financial position at our share of net assets under the equity method of accounting, less any impairment losses.

Our share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statements of profit or loss and other comprehensive income. In addition, when there has been a change recognized directly in the equity of the associate, we recognize our share of any changes, when applicable, in the consolidated statements of changes in equity. Unrealized gains and losses resulting from transactions between us and our associates are eliminated to the extent of our investments in the associates, 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 our investments in associates.

Share-based Payments

We operate the [**REDACTED**] Share Incentive Plans for the purpose of providing incentives and rewards to eligible participants who contribute to the success of our operations. Our Directors, senior management and core employees receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("**equity-settled transactions**"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value of equity-settled share-based payment granted was estimated as at the date of grant using recent transaction price, taking into account the terms and conditions upon which the share incentives were granted.

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 each reporting period until the vesting date reflects the extent to which the vesting period has expired and our best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognized as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of our best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognized. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognized for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately.

Significant Accounting Judgements and Estimates

The preparation of our historical financial information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Critical Accounting Judgements in Applying Accounting Policies

Research and development costs

All research costs are charged to profit or loss as incurred. Expenses incurred on each pipeline to develop new products are capitalized and deferred in accordance with the accounting policy for research and development expenses in Note 2.3 to the Accountants' Report set out in Appendix I to this document. Determining the amounts to be capitalized requires our management to make judgements on the technical feasibility of existing pipelines to be successfully commercialized and bring economic benefits to us.

Key Sources of Estimation Uncertainty

Leases — Estimating the incremental borrowing rate

We cannot readily determine the interest rate implicit in a lease, and therefore, we use an incremental borrowing rate ("**IBR**") to measure lease liabilities. The IBR is the rate of interest that we would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what we "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). We estimate the IBR using observable inputs (such as market interest rates) when available and are required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

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 period comprising the Track Record Period. Indefinite life intangible assets 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.

Deferred tax assets

Deferred tax assets are recognized for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the unused tax losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. For more details, see Note 23 to the Accountants' Report set out in Appendix I to this document.

DESCRIPTION OF SELECTED COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

	For the Year Ended December 31,	For the Nine Months Ended September 30,	
	2023	2023	2024
	(RMB in thousands)		
		(unaudited)	
Revenue	**6,930**	**5,043**	**4,441**
Cost of sales	(149)	(149)	(634)
Gross profit	**6,781**	**4,894**	**3,807**
Other income and gains	17,597	16,267	4,132
Research and development expenses	(132,545)	(95,899)	(183,660)
Business development expenses	(1,227)	(629)	(5,610)
Administrative expenses	(46,351)	(33,887)	(78,051)
Finance costs	(3,655)	(2,888)	(3,217)
Other expenses	(81)	(81)	(100)
Share of loss of an associate	(915)	(760)	(488)
Loss before tax	**(160,396)**	**(112,983)**	**(263,187)**
Income tax credit/(expense)	1	(24)	23
Loss and total comprehensive loss for the year/period	**(160,395)**	**(113,007)**	**(263,164)**

Non-IFRS Measure

To supplement our consolidated statements of profit or loss and other comprehensive income which are presented in accordance with IFRSs, we also use adjusted loss as a non-IFRS measure, which is not required by, or presented in accordance with, IFRSs. We believe that the presentation of the non-IFRS measure when shown in conjunction with the corresponding IFRS measures provides useful information to management and [**REDACTED**] in facilitating a comparison of our operating performance from period to period. In particular, the non-IFRS measure eliminates impact of certain non-cash expenses, including share-based payments. Such non-IFRS measure allows [**REDACTED**] to consider metrics used by our management in evaluating our performance.

We define adjusted loss (non-IFRS measure) as loss for the year/period adjusted by adding back share-based payments, which represent expenses arising from our grant of share incentives to eligible individuals. The use of the non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for, or superior to, analysis of our results of operations or financial condition as reported under IFRSs. In addition, the non-IFRS financial measure may be defined differently from similar terms used by other companies and therefore may not be comparable to similar measures presented by other companies.

The following table reconciles our adjusted loss (non-IFRS measure) for the year/period presented to the most directly comparable financial measure calculated and presented in accordance with IFRSs, which is loss for the year/period:

	For the Year Ended December 31,	For the Nine Months Ended September 30,	
	2023	2023	2024
	(RMB in thousands)		
		(unaudited)	
Loss for the year/period	**(160,395)**	**(113,007)**	**(263,164)**
Add:			
Share-based payments	–	–	113,193
Adjusted loss (non-IFRS measure) for the year/period	**(160,395)**	**(113,007)**	**(149,971)**

Revenue

During the Track Record Period, our revenue was derived from (i) sales of materials, including recombinant human hyaluronidase as a pharmaceutical excipient and antibodies, to downstream customers for research and development purpose, and (ii) provision of technical services, mainly representing certain service fees, milestone payments, or other considerations we received under respective license and collaboration agreements with our business partners. The revenue generated from our sales of antibodies was on a one-off basis and non-recurring in nature. For more information related to our license and collaboration agreements, see "Business — Collaboration Agreements. The following table sets forth a breakdown of our revenue in absolute amounts and as percentages of the total revenue for the periods indicated:

	For the Year Ended December 31,		For the Nine Months Ended September 30,			
	2023		2023		2024	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)					
			(unaudited)			
Sales of materials	2,099	30.3	2,099	41.6	1,603	36.1
Technical services	4,831	69.7	2,944	58.4	2,838	63.9
Total	**6,930**	**100.0**	**5,043**	**100.0**	**4,441**	**100.0**

Cost of Sales

During the Track Record Period, our cost of sales was primarily related to our sales of materials, including costs of raw materials, staff costs, and certain depreciation and amortization expenses related thereto. In 2023 and the nine months ended September 30, 2023 and 2024, our cost of sales was RMB0.1 million, RMB0.1 million and RMB0.6 million, respectively.

Gross Profit and Gross Profit Margin

In 2023 and the nine months ended September 30, 2023 and 2024, our gross profit was RMB6.8 million, RMB4.9 million and RMB3.8 million, respectively. For the same periods, our gross profit margin was 97.8%, 97.0% and 85.7%, respectively.

Other Income and Gains

During the Track Record Period, our other income and gains primarily consisted of (i) bank interest income, (ii) government grants, and (iii) net foreign exchange gains. Bank interest income represents interest on our bank deposits. Government grants refer to a variety of subsidies granted by the PRC local government authorities in support of our research and development activities and business operations, which had no conditions or contingencies attached or were recognized upon compliance with the attached conditions. Net foreign exchange gains represent the net exchange gains resulting from the translation of our cash balance denominated in U.S. dollar at year/period-end exchange rates against Renminbi.

The following table summarizes a breakdown of our other income and gains in absolute amounts and as percentages of the total other income and gains for the periods indicated:

	For the Year Ended December 31,		For the Nine Months Ended September 30,			
	2023		2023		2024	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)					
			(unaudited)			
Other income:						
Bank interest income	7,896	44.9	6,437	39.6	2,668	64.6
Government grants	6,320	35.9	5,591	34.4	1,464	35.4
Others	412	2.3	412	2.5	–	–
Gains:						
Foreign exchange gains, net	2,969	16.9	3,827	23.5	–	–
Total	**17,597**	**100.0**	**16,267**	**100.0**	**4,132**	**100.0**

Research and Development Expenses

During the Track Record Period, our research and development expenses consisted of (i) share-based payments incurred from our grant of share incentives to research and development personnel, (ii) staff costs, mainly including wages, bonus, and other welfare benefits for our research and development personnel, (iii) trial and testing expenses for our drug candidates, primarily in relation to the engagement of CROs, CDMOs, and other service providers, (iv) depreciation and amortization expenses for property, plant and equipment, right-of-use assets, and other intangible assets used for research and development purpose, (v) cost of raw materials consumed in the course of our research and development activities, and (vi) other expenses, mainly including utilities incurred for our research and development activities, regulatory registration fees, and expenses incurred for the application and maintenance of intellectual property rights.

The following table sets forth a breakdown of our research and development expenses in absolute amounts and as percentages of the total research and development expenses for the periods indicated:

	For the Year Ended December 31,		For the Nine Months Ended September 30,			
	2023		2023		2024	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)					
			(unaudited)			
Share-based payments	–	–	–	–	69,186	37.7
Staff costs	46,694	35.2	31,121	32.5	43,332	23.6
Trial and testing expenses	42,543	32.1	33,338	34.8	28,995	15.8
Depreciation and amortization expenses	17,626	13.3	12,644	13.2	17,891	9.7
Cost of raw materials	15,719	11.9	11,817	12.3	12,431	6.8
Others	9,963	7.5	6,979	7.2	11,825	6.4
Total	**132,545**	**100.0**	**95,899**	**100.0**	**183,660**	**100.0**

Our research and development expenses attributable to our Core Products were RMB79.9 million, RMB56.1 million and RMB98.8 million in 2023 and the nine months ended September 30, 2023 and 2024, respectively, accounting for 44.4%, 43.0% and 36.9% of our total operating expenses in the same periods, respectively. Our research and development expenses attributable to Core Products increased by 76.2% from the nine months ended September 30, 2023 to the corresponding period in 2024, mainly due to an increase of RMB40.2 million in share-based payments, arising from our grant of share incentives to relevant research and development personnel in the nine months ended September 30, 2024.

Business Development Expenses

During the Track Record Period, our business development expenses primarily consisted of staff costs and share-based payments attributable to our business development personnel, as well as professional service fees paid to legal counsel, agents, and other service providers for business development purpose. In 2023 and the nine months ended September 30, 2023 and 2024, our business development expenses were RMB1.2 million, RMB0.6 million and RMB5.6 million, respectively.

Administrative Expenses

During the Track Record Period, our administrative expenses consisted of (i) share-based payments incurred from our grant of share incentives to management and administrative personnel, (ii) staff costs, mainly including wages, bonus, and other welfare benefits for our management and administrative personnel, (iii) depreciation and amortization expenses for property, plant and equipment, right-of-use assets, and other intangible assets used for administrative purpose, (iv) general office expenses, (v) professional service fees paid to legal advisors, auditors, asset valuers, and other consulting service providers, (vi) taxes and surcharges, and (vii) other expenses, including traveling and transportation expenses, property management fees, utilities incurred for administrative purpose, and other miscellaneous expenses.

The following table sets forth a breakdown of our administrative expenses in absolute amounts and as percentages of the total administrative expenses for the periods indicated:

	For the Year Ended December 31,		For the Nine Months Ended September 30,			
	2023		2023		2024	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)					
			(unaudited)			
Share-based payments	–	–	–	–	40,063	51.3
Staff costs	19,634	42.4	14,116	41.7	15,795	20.2
Depreciation and amortization expenses	4,794	10.3	3,381	10.0	6,004	7.7
General office expenses	6,832	14.7	4,625	13.6	4,822	6.2
Professional service fees	6,088	13.1	5,359	15.8	4,719	6.0
Taxes and surcharges	1,986	4.3	1,492	4.4	1,582	2.0
Others	7,017	15.2	4,914	14.5	5,066	6.6
Total	**46,351**	**100.0**	**33,887**	**100.0**	**78,051**	**100.0**

Finance Costs

During the Track Record Period, our finance costs consisted of (i) interest on bank borrowings, and (ii) interest on lease liabilities. The following table sets forth a breakdown of our finance costs for the periods indicated:

	For the Year Ended December 31,	For the Nine Months Ended September 30,	
	2023	2023	2024
	(RMB in thousands)		
		(unaudited)	
Interest on bank borrowings	4,321	3,278	3,981
Interest on lease liabilities	73	61	49
Less: Interest capitalized	(739)	(451)	(813)
Total	**3,655**	**2,888**	**3,217**

Other Expenses

During the Track Record Period, our other expenses primarily consisted of expenses relating to our short-term leasing arrangement, foreign exchange losses, and loss on disposal of items of property, plant and equipment. In 2023 and the nine months ended September 30, 2023 and 2024, our other expenses were RMB0.08 million, RMB0.08 million and RMB0.1 million, respectively.

Share of Loss of an Associate

Our share of loss of an associate during the Track Record Period represented our losses from investments in ABLINK Biotech. For details, see "— Discussion of Certain Selected Items from the Consolidated Statements of Financial Position — Investment in an associate." We recognized share of loss of an associate of RMB0.9 million, RMB0.8 million and RMB0.5 million in 2023 and the nine months ended September 30, 2023 and 2024, respectively, which was attributable to the net losses incurred by ABLINK Biotech during the same periods.

Income Tax Credit/(Expense)

Our income tax during the Track Record Period consisted of deferred tax. We recorded income tax credit of RMB1.0 thousand and RMB23.0 thousand in 2023 and the nine months ended September 30, 2024, respectively, and income tax expense of RMB24.0 thousand in the nine months ended September 30, 2023. Our Directors confirm that during the Track Record Period, we had made all the required tax filings and had paid all outstanding tax liabilities with the relevant tax authorities in the relevant jurisdictions, and we are not aware of any outstanding or potential disputes with such tax authorities.

We are subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which we are domiciled and operate. Pursuant to the Enterprise Income Tax Law of the PRC and the respective regulations (the "**EIT Laws**"), our PRC subsidiaries are subject to income tax at a rate of 25% on the taxable income during the Track Record Period. Our Company and certain PRC subsidiaries were accredited as "high and new technology enterprises" under the relevant EIT laws in 2022 and were accordingly entitled to a preferential income tax rate of 15% from 2022 to 2024. For more details, see Note 10 to the Accountants' Report set out in Appendix I to this document.

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 decreased by 11.9% from RMB5.0 million in the nine months ended September 30, 2023 to RMB4.4 million in the nine months ended September 30, 2024, mainly due to a decrease of RMB0.5 million in revenue from sales of materials. Our revenue generated from sales of materials fluctuated during the Track Record Period, mainly attributable to a shift in such sales structure of materials, from antibodies in 2023 to recombinant human hyaluronidase as a pharmaceutical excipient in 2024.

Cost of Sales

Our cost of sales increased significantly from RMB0.1 million in the nine months ended September 30, 2023 to RMB0.6 million in the nine months ended September 30, 2024, mainly due to the shift in the sales structure of materials, from antibodies to recombinant human hyaluronidase as a pharmaceutical excipient. Our cost of sales was primarily related to our sales of materials, and the respective costs associated with antibodies and recombinant human hyaluronidase differ significantly. Our sales of antibodies in 2023 was on a one-off basis.

Gross Profit and Gross Profit Margin

As a result of the cumulative effect of the factors described above, our gross profit decreased by 22.2% from RMB4.9 million in the nine months ended September 30, 2023 to RMB3.8 million in the nine months ended September 30, 2024. Our gross profit margin decreased from 97.0% to 85.7% for the same periods.

Other Income and Gains

Our other income and gains decreased by 74.6% from RMB16.3 million in the nine months ended September 30, 2023 to RMB4.1 million in the nine months ended September 30, 2024, mainly due to (i) a decrease of RMB4.1 million in government grants; (ii) a decrease of RMB3.8 million in net foreign exchange gains, attributable to fluctuations in the exchange rate of U.S. dollar against Renminbi; and (iii) a decrease of RMB3.8 million in bank interest income in line with our decreased average bank deposits for the same periods.

Research and Development Expenses

Our research and development expenses increased by 91.5% from RMB95.9 million in the nine months ended September 30, 2023 to RMB183.7 million in the nine months ended September 30, 2024, mainly due to (i) an increase of RMB69.2 million in share-based payments, arising from our grant of share incentives to research and development personnel in the nine months ended September 30, 2024; and (ii) an increase of RMB12.2 million in staff costs, resulting from the expansion of our research and development team.

Business Development Expenses

Our business development expenses increased significantly from RMB0.6 million in the nine months ended September 30, 2023 to RMB5.6 million in the nine months ended September 30, 2024, mainly because we incurred share-based payments for our grant of share incentives to business development personnel, as well as certain legal consulting and translation service fees in relation to our business development activities, in the nine months ended September 30, 2024.

Administrative Expenses

Our administrative expenses increased significantly from RMB33.9 million in the nine months ended September 30, 2023 to RMB78.1 million in the nine months ended September 30, 2024, mainly due to an increase of RMB40.1 million in share-based payments, arising from our grant of share incentives to management and administrative personnel in the nine months ended September 30, 2024.

Finance Costs

Our finance costs increased by 11.4% from RMB2.9 million in the nine months ended September 30, 2023 to RMB3.2 million in the nine months ended September 30, 2024, mainly due to an increase of RMB0.7 million in interest on bank borrowings, resulting from our increased interest-bearing bank borrowing for the same periods; partially offset by an increase of RMB0.4 million in interest capitalized.

Share of Loss of an Associate

Our share of loss of an associate decreased by 35.8% from RMB0.8 million in the nine months ended September 30, 2023 to RMB0.5 million in the nine months ended September 30, 2024, primarily due to the improvements of the performance of our equity investees, namely ABLINK Biotech.

Loss for the Period

As a result of the foregoing, our loss for the period increased significantly from RMB113.0 million in the nine months ended September 30, 2023 to RMB263.2 million in the nine months ended September 30, 2024.

DISCUSSION OF CERTAIN SELECTED ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	As of December 31,	As of September 30,
	2023	2024
	(RMB in thousands)	
		(unaudited)
ASSETS		
Non-current assets		
Property, plant and equipment	531,215	573,795
Right-of-use assets	54,207	54,565
Other intangible assets	12,565	12,472
Investment in an associate	8,437	7,949
Prepayments, other receivables and other assets	1,311	310
Total non-current assets	**607,735**	**649,091**
Current Assets		
Inventories	8,072	5,274
Trade receivables	2,000	2,000
Prepayments, other receivables and other assets	34,402	43,952
Restricted deposits	–	80,126
Cash and cash equivalents	321,671	472,017
Total current assets	**366,145**	**603,369**
LIABILITIES		
Current liabilities		
Other payables and accruals	80,786	62,440
Interest-bearing bank borrowings	65,111	98,579
Lease liabilities	924	1,323
Total current liabilities	**146,821**	**162,342**
Net current assets	**219,324**	**441,027**
Total assets less current liabilities	**827,059**	**1,090,118**
Non-current liabilities		
Interest-bearing bank borrowings	44,983	80,379
Lease liabilities	97	1,054
Deferred tax liabilities	23	–
Deferred income	32,830	33,830
Total non-current liabilities	**77,933**	**115,263**
Net assets	**749,126**	**974,855**
Equity		
Share capital	52,046	56,490
Reserves	697,080	918,365
Total equity	**749,126**	**974,855**

Property, Plant and Equipment

During the Track Record Period, our property, plant and equipment consisted of construction in progress, buildings, machinery, decoration, electronic equipment, motor vehicles and office equipment. The following table sets forth a breakdown of our property, plant and equipment as of the dates indicated:

	As of December 31, 2023	As of September 30, 2024
	(RMB in thousands)	
		(unaudited)
Property, plant and equipment		
Construction in progress	199,594	253,253
Buildings	187,078	182,905
Machinery	130,981	124,003
Decoration	10,010	9,567
Electronic equipment	2,073	2,789
Motor vehicles	1,050	867
Office equipment	429	411
Total	**531,215**	**573,795**

Our property, plant and equipment increased by 8.0% from RMB531.2 million as of December 31, 2023 to RMB573.8 million as of September 30, 2024, mainly due to an increase of RMB53.7 million in construction in progress, in line with the continued construction of our new manufacturing facilities in Shanghai; partially offset by the depreciation charge of our existing properties and machinery.

Right-of-Use Assets

During the Track Record Period, our right-of-use assets were related to (i) leasehold land, and (ii) leases of properties used as office premises, laboratories, and employee dormitories. The following table sets forth a breakdown of our right-of-use assets as of the dates indicated:

	As of December 31, 2023	As of September 30, 2024
	(RMB in thousands)	
		(unaudited)
Right-of-use assets		
Leasehold land	53,066	52,213
Leased properties	1,141	2,352
Total	**54,207**	**54,565**

Our right-of-use assets remained relatively stable at RMB54.2 million as of December 31, 2023 and RMB54.6 million as of September 30, 2024.

Other Intangible Assets

During the Track Record Period, our other intangible assets consisted of (i) patents and licenses, and (ii) software. The following table sets forth a breakdown of our other intangible assets as of the dates indicated:

	As of December 31, 2023	As of September 30, 2024
	(RMB in thousands)	*(unaudited)*
Other intangible assets		
Patents and licenses	9,758	8,662
Software	2,807	3,810
Total	**12,565**	**12,472**

Our other intangible assets remained relatively stable at RMB12.6 million as of December 31, 2023 and RMB12.5 million as of September 30, 2024.

Investment in an Associate

We recorded investment in an associate during the Track Record Period, which was attributable to our investment in 20% equity interest in ABLINK Biotech. ABLINK Biotech is a biotech company principally engaged in the discovery and optimization of macromolecular drugs. Our investment in an associate consisted of (i) goodwill on acquisition, and (ii) share of net assets, of ABLINK Biotech. The following table sets forth a breakdown of our investment in an associate as of the dates indicated:

	As of December 31, 2023	As of September 30, 2024
	(RMB in thousands)	*(unaudited)*
Investment in an associate		
Goodwill on acquisition	7,055	7,055
Share of net assets	1,382	894
Total	**8,437**	**7,949**

As of December 31, 2023 and September 30, 2024, the carrying amounts of our investment in an associate were RMB8.4 million and RMB7.9 million, respectively. Such slight decrease was due to the continued net loss position of ABLINK Biotech during the Track Record Period. For more details, see Note 16 of the Accountants' Report set out in Appendix I to this document.

Prepayments, Other Receivables and Other Assets

During the Track Record Period, our prepayments, other receivables and other assets consisted of (i) deductible value-added tax primarily relating to our procurement of items of property, plant and equipment, (ii) capital injection from shareholders, which was relating to certain of our Share Incentive Platforms for the implementation of the [**REDACTED**] Share Incentive Plans, (iii) deposits and other receivables, representing our rental deposits and advances for administrative expenses, (iv) prepayments for material procurement and trial and testing fees, (v) prepaid expenses for the maintenance of equipment, (vi) prepayment for property, plant and equipment, and (vii) amounts due from related parties.

Our amounts due from related parties represented (i) our short-term loan to one of our Share Incentive Platforms to support its normal operations, and (ii) advances to a Supervisor for coverage of reimbursable expenses, such as traveling and transportation expenses, incurred during her performance of obligations. For details, see Note 31 of the Accountants' Report set out in Appendix I to this document. All of our amounts due from related parties as of September 30, 2024 had been subsequently settled in December 2024.

The following table sets forth a breakdown of our prepayments, other receivables and other assets as of the dates indicated:

	As of December 31, 2023	As of September 30, 2024
	(RMB in thousands)	
		(unaudited)
Prepayments, other receivables and other assets		
Non-current:		
Prepayment for property, plant and equipment	1,311	310
Current:		
Deductible value-added tax	28,515	39,239
Capital injection from shareholders	2,073	2,073
Deposits and other receivables	2,456	1,165
Prepayments	264	771
Prepaid expenses	1,054	664
Amounts due from related parties	40	40
Total current	**34,402**	**43,952**
Total	**35,713**	**44,262**

Our prepayments, other receivables and other assets increased by 23.9% from RMB35.7 million as of December 31, 2023 to RMB44.3 million as of September 30, 2024, mainly due to an increase of RMB10.7 million in deductible value-added tax; partially offset by (i) a decrease of RMB1.3 million in deposits and other receivables, as we gradually recognized the

advances for administrative expenses into profit or loss as they incurred, and (ii) a decrease of RMB1.0 million in prepayment for property, plant and equipment, as we reclassified such prepayments to property, plant and equipment upon the delivery and installation of certain equipment.

As of November 30, 2024, RMB1.3 million, or 2.8%, of our prepayments, other receivables and other assets as of September 30, 2024 had been subsequently settled.

Inventories

During the Track Record Period, our inventories represented certain raw materials, reagents, and consumables procured for our preclinical studies and clinical development of drug candidates. Our inventories decreased by 34.7% from RMB8.1 million as of December 31, 2023 to RMB5.3 million as of September 30, 2024, primarily attributable to our optimized inventory management and more controlled procurement plans.

As of November 30, 2024, RMB0.7 million, or 13.4%, of our inventories as of September 30, 2024 had been consumed.

Trade Receivables

During the Track Record Period, our trade receivables arose from our provision of technical support services to a partner under the relevant collaboration agreement. For more information related to such collaboration agreement, see "Business — Collaboration Agreements." We recorded trade receivables of RMB2.0 million as of December 31, 2023 and September 30, 2024, respectively.

The following table sets forth an aging analysis of our trade receivables based on the transaction dates and net of loss allowance as of the dates indicated:

	As of December 31, 2023	As of September 30, 2024
	(RMB in thousands)	
		(unaudited)
Trade receivables		
Within 1 year	2,000	2,000
Total	**2,000**	**2,000**

As of November 30, 2024, none of our trade receivables as of September 30, 2024 had been subsequently settled. Such trade receivables had all been subsequently settled in December 2024.

Restricted Deposits

During the Track Record Period, our restricted deposits represented frozen deposits at bank by order of the court in relation to a pending lawsuit. Our restricted deposits were nil and RMB80.1 million as of December 31, 2023 and September 30, 2024, respectively.

Cash and Cash Equivalents

During the Track Record Period, our cash and cash equivalents represented cash and bank balances denominated in Renminbi and U.S. dollar, less our restricted deposits. Our cash and cash equivalents increased by 46.7% from RMB321.7 million as of December 31, 2023 to RMB472.0 million as of September 30, 2024, mainly due to the cash inflows from our Series C Financing. For an analysis on cash flows during the Track Record Period, see "— Liquidity and Capital Resources."

Other Payables and Accruals

During the Track Record Period, our other payables and accruals consisted of (i) contract liabilities, representing short-term advances we received for provision of technical support services, for which we had not yet completed the corresponding performance obligations to recognize as revenue, (ii) payables for purchase of property, plant and equipment, (iii) payroll payables, (iv) tax payables, and (v) other payables, primarily including accrued or invoiced yet unpaid service fees to CROs and CDMOs. The following table sets forth a breakdown of our other payables and accruals as of the dates indicated:

	As of December 31, 2023	As of September 30, 2024
	(RMB in thousands)	
		(unaudited)
Other payables and accruals		
Contract liabilities	18,360	18,368
Payables for purchase of property, plant and equipment	34,467	18,106
Payroll payables	12,139	12,356
Tax payables	976	1,222
Other payables	14,844	12,388
Total	**80,786**	**62,440**

Our other payables and accruals decreased by 22.7% from RMB80.8 million as of December 31, 2023 to RMB62.4 million as of September 30, 2024, mainly due to a decrease of RMB16.4 million in payables for purchase of property, plant and equipment, as we had paid off certain outstanding amounts due to the relevant suppliers or vendors in the nine months ended September 30, 2024.

As of November 30, 2024, RMB20.1 million, or 32.2%, of our other payables and accruals as of September 30, 2024 had been subsequently settled.

Deferred Income

During the track record period, our deferred income represented certain income- and asset-related government grants, which had not been recognized in profit or loss until the compliance with the attached conditions. We recorded deferred income of RMB32.8 million and RMB33.8 million as of December 31, 2023 and September 30, 2024, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Our primary use of cash during the Track Record Period was to fund our research and development activities. We recorded net cash used in operating activities of RMB140.2 million, RMB103.2 million and RMB211.0 million in 2023 and the nine months ended September 30, 2023 and 2024, respectively. During the Track Record Period, we primarily funded our working capital requirements through equity and debt financings. Our management closely monitors use of cash and cash equivalents and strives to maintain a healthy liquidity for our operations. Going forward, we expect our liquidity requirements will be satisfied by a combination of existing cash and cash equivalents, bank loans, net [**REDACTED**] from the [**REDACTED**], considerations received under respective license and collaboration agreements, as well as revenue generated from sales of our successfully commercialized drugs. With the continuing expansion of our business, we may require further funding through public or private offerings, debt financing, license and collaboration arrangements, or other sources.

Current Assets and Current Liabilities

The following tables sets forth our current assets and current liabilities as of the dates indicated:

	As of December 31, 2023	As of September 30, 2024	As of November 30, 2024
		(RMB in thousands)	
		(unaudited)	
Current Assets			
Inventories	8,072	5,274	4,569
Trade receivables	2,000	2,000	2,945
Prepayments, other receivables and other assets	34,402	43,952	45,119
Restricted deposits	–	80,126	80,180
Cash and cash equivalents	321,671	472,017	483,778
Total current assets	**366,145**	**603,369**	**616,591**
Current liabilities			
Other payables and accruals	80,786	62,440	100,866
Interest-bearing bank borrowings	65,111	98,579	71,776
Lease liabilities	924	1,323	1,099
Total current liabilities	**146,821**	**162,342**	**173,741**
Net current assets	**219,324**	**441,027**	**442,850**

Our net current assets remained relatively stable at RMB441.0 million and RMB442.9 million as of September 30 and November 30, 2024, respectively.

Our net current assets increased from RMB219.3 million as of December 31, 2023 to RMB441.0 million as of September 30, 2024, primarily attributable to (i) an increase of RMB150.3 million in cash and cash equivalents, mainly due to the cash inflows from our Series C Financing, and (ii) an increase of RMB80.1 million in restricted deposits; partially offset by an increase of RMB33.5 million in current portion of interest-bearing bank borrowings.

Cash Flows

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

	For the Year Ended December 31,	For the Nine Months Ended September 30,	
	2023	2023	2024
	(RMB in thousands)		
		(unaudited)	
Operating cash flows before movements in working capital	(144,230)	(103,533)	(124,796)
Changes in working capital	(3,879)	(6,085)	(88,863)
Interest received	7,896	6,437	2,668
Net cash used in operating activities	(140,213)	(103,181)	(210,991)
Net cash used in investing activities	(136,365)	(116,230)	(78,071)
Net cash generated from financing activities	122,933	114,231	439,430
Net (decrease)/increase in cash and cash equivalents	(153,645)	(105,180)	150,368
Cash and cash equivalents at beginning of year/period	472,347	472,347	321,671
Effect of foreign exchange rate changes, net	2,969	3,827	(22)
Cash and cash equivalents at end of year/period	321,671	370,994	472,017

Net Cash Used in Operating Activities

For the nine months ended September 30, 2024, our net cash used in operating activities was RMB211.0 million, which was primarily attributable to loss before tax of RMB263.2 million adjusted by certain non-cash and working capital items. Positive adjustments primarily included (i) equity-settled share-based payment expense of RMB113.2 million, and (ii) depreciation of property, plant and equipment of RMB21.1 million. Negative adjustments primarily included an increase in restricted deposits of RMB80.1 million.

In 2023, our net cash used in operating activities was RMB140.2 million, which was primarily attributable to loss before tax of RMB160.4 million adjusted by certain non-cash and working capital items. Positive adjustments primarily included (i) depreciation of property, plant and equipment of RMB19.1 million, and (ii) an increase in other payables and accruals of RMB11.6 million. Negative adjustments primarily included an increase in prepayments, other receivables and other assets of RMB13.3 million.

Net Cash Used in Investing Activities

For the nine months ended September 30, 2024, our net cash used in investing activities was RMB78.1 million, primarily attributable to purchases of items of property, plant and equipment of RMB79.2 million; partially offset by receipt of government grants for property, plant and equipment of RMB1.0 million.

In 2023, our net cash used in investing activities was RMB136.4 million, representing our purchases of items of property, plant and equipment.

Net Cash Generated from Financing Activities

For the nine months ended September 30, 2024, our net cash generated from financing activities was RMB439.4 million, primarily attributable to (i) proceeds from issue of shares of RMB375.7 million, and (ii) new interest-bearing bank borrowings of RMB79.4 million; partially offset by repayment of interest-bearing bank borrowings of RMB10.6 million.

In 2023, our net cash generated from financing activities was RMB122.9 million, primarily attributable to (i) proceeds from issue of shares of RMB120.3 million, and (ii) new interest-bearing bank borrowings of RMB48.5 million; partially offset by repayment of interest-bearing bank borrowings of RMB39.8 million.

WORKING CAPITAL CONFIRMATION

Our Directors are of the opinion that, taking into account the financial resources available to us, including cash and cash equivalents, unutilized bank facilities and the estimated net [**REDACTED**] from the [**REDACTED**], and considering our cash burn rate, we have available sufficient working capital to cover at least 125% of our costs, including research and development expenses, administrative expenses, business development expenses and other operating costs, for at least the next 12 months from the date of this document.

Our cash burn rate refers to the average monthly amount of net cash used in operating activities, interest paid, capital expenditures and lease payments. We had cash and cash equivalents of RMB472.0 million as of September 30, 2024. Assuming an [**REDACTED**] of HK$[**REDACTED**] per H Share, being the low end of the [**REDACTED**], we estimate that we will receive net [**REDACTED**] of approximately HK$[**REDACTED**] million in the [**REDACTED**]. Assuming an average cash burn rate going forward of 1.3 times the level during the Track Record Period, we estimate that our cash and cash equivalents as of September 30, 2024 will be able to maintain our financial viability for [**REDACTED**] months, taking into account the estimated net [**REDACTED**] from the [**REDACTED**]. We will continue to monitor our cash flows from operations closely and expect to raise our next round of financing no earlier than six months after the completion of the [**REDACTED**].

CASH OPERATING COSTS

The following table sets forth key information relating to our cash operating costs for the periods indicated:

	For the Year Ended December 31,	For the Nine Months Ended September 30,	
	2023	2023	2024
		(RMB in thousands)	
		(unaudited)	
Costs relating to research and development of our Core Products			
Staff costs	31,879	22,579	27,017
Trials and testing expenses	17,247	13,305	8,406
Cost of raw materials	11,648	8,607	5,955
Others[(1)]	7,153	4,740	7,382
Subtotal	**67,927**	**49,231**	**48,760**
Costs relating to research and development of our other drug candidates			
Staff costs	15,055	10,972	19,455
Trials and testing expenses	24,615	22,093	19,598
Cost of raw materials	5,975	5,350	6,029
Others[(1)]	2,190	1,433	4,178
Subtotal	**47,835**	**39,848**	**49,260**
Total research and development costs	**115,762**	**89,079**	**98,020**
Other costs			
Workforce employment costs[(2)]	20,154	15,493	17,715
Promotion expenses	475	364	337
Direct production costs[(3)]	–	–	–
Non-income taxes, royalties and other governmental charges	1,981	1,497	1,546
Contingency allowances	–	–	–
Other significant cost[(4)]	16,767	12,998	15,963
Total other costs	**39,377**	**30,352**	**35,561**
Total cash operating costs	**155,139**	**119,431**	**133,581**

Notes:

(1) Primarily includes utilities incurred for our research and development activities, regulatory registration fees, and expenses incurred for the application and maintenance of intellectual property rights.

(2) Workforce employment costs represent total non-research and development personnel costs mainly including wages, bonus and other welfare benefits.

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

(4) Primarily includes general office expenses, professional service fees, utilities incurred for administrative purpose, and other miscellaneous expenses.

INDEBTEDNESS

The following table sets forth the breakdown of our indebtedness as of the dates indicated:

	As of December 31, 2023	As of September 30, 2024	As of November 30, 2024
		(RMB in thousands)	
			(unaudited)
Indebtedness			
Current:			
Interest-bearing bank borrowings	65,111	98,579	71,776
Lease liabilities	924	1,323	1,099
Non-current:			
Interest-bearing bank borrowings	44,983	80,379	78,800
Lease liabilities	97	1,054	969
Total	**111,115**	**181,335**	**152,644**

Except as disclosed in the table above, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities as of November 30, 2024. In December 2024, we entered into a loan agreement with a PRC commercial bank at a total contract amount of RMB250.0 million, which was secured by pledge of our certain construction-in-progress located in Shanghai and would be disbursed pursuant to the specified payment schedule in this loan agreement. As of the Latest Practicable Date, we had received such bank loan of RMB42.5 million. After due and careful consideration, save as disclosed above, our Directors confirm that there had been no material change in our indebtedness since November 30, 2024 and up to the Latest Practicable Date.

Interest-Bearing Bank Borrowings

The following table sets forth the breakdown of our interest-bearing bank borrowings, categorized by current and non-current classifications, as well as the security status, as of the dates indicated:

	As of December 31, 2023	As of September 30, 2024	As of November 30, 2024
		(RMB in thousands)	
		(unaudited)	
Interest-bearing bank borrowings			
Current:			
Current portion of long-term bank loans – secured[(1)]	30,825	26,812	27,189
Current portion of long-term bank loans – secured and guaranteed[(2)]	14,267	13,977	–
Current portion of long-term bank loans – unsecured	–	7,948	14,632
Bank loans – secured[(1)]	20,019	40,034	20,122
Bank loans – unsecured	–	9,808	9,833
Total current	**65,111**	**98,579**	**71,776**
Non-current:			
Bank loans – secured[(1)]	30,750	34,750	34,250
Bank loans – secured and guaranteed[(2)]	14,233	13,949	–
Bank loans – unsecured	–	31,680	44,550
Total non-current	**44,983**	**80,379**	**78,800**
Total	**110,094**	**178,958**	**150,576**

Notes:

(1) These bank loans were secured by pledge of our properties with carrying amounts of RMB187.1 million and RMB182.9 million as of December 31, 2023 and September 30, 2024, respectively.

(2) These bank loans were secured by pledge of our leasehold land with carrying amounts of RMB53.1 million and RMB52.2 million as of December 31, 2023 and September 30, 2024, respectively, and guaranteed by one of our Controlling Shareholders, Dr. Liu Yanjun. We fully repaid this loan on November 15, 2024, and the corresponding pledge and guarantee were consequently released.

The following table sets forth the breakdown of our interest-bearing bank borrowings based on maturity terms in the relevant agreements as of the date indicated:

	As of December 31, 2023	As of September 30, 2024	As of November 30, 2024
		(RMB in thousands)	
		(unaudited)	
Interest-bearing bank borrowings			
Bank loans repayable:			
Within one year or on demand	65,111	98,579	71,776
In the second year	22,846	64,381	73,050
In the third to fifth years, inclusive	22,137	15,998	5,750
Total	**110,094**	**178,958**	**150,576**

We generally borrow bank loans from creditworthy commercial banks in the PRC to supplement our working capital requirements and finance our capital expenditures. As of December 31, 2023 and September 30 and November 30, 2024, we had total interest-bearing bank borrowings of RMB110.1 million, RMB179.0 million and RMB150.6 million, respectively. These borrowings bear an effective interest rate ranging from 3.10% to 3.96% per annum. All of these borrowings will become due by 2026. For details, see Note 22 to the Accountants' Report set out in Appendix I to this document.

Our Directors confirm that as of the Latest Practicable Date, there was no material covenant on any of our outstanding debt, and there was no material breach of any covenant during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that our Group did not experience any material difficulty in obtaining or renewing bank loans, nor did we experience any default in payment of bank loans during the Track Record Period and up to the Latest Practicable Date.

Lease Liabilities

During the Track Record Period, our lease liabilities were primarily related to leases of properties used as office premises, laboratories, and employee dormitories. We recognized

lease liabilities in respect of all of our leases, except for short-term leases and leases of low-value assets. The following table sets forth a breakdown of our lease liabilities as of the dates indicated:

	As of December 31,	As of September 30,	As of November 30,
	2023	2024	2024
		(RMB in thousands)	
			(unaudited)
Lease liabilities			
Current	924	1,323	1,099
Non-current	97	1,054	969
Total	**1,021**	**2,377**	**2,068**

Our lease liabilities increased significantly from RMB1.0 million as of December 31, 2023 to RMB2.4 million as of September 30, 2024, mainly due to the renewal of leases for office premises and employee dormitories upon expiration of lease terms during the Track Record Period. Our lease liabilities decreased by 13.0% from RMB2.4 million as of September 30, 2024 to RMB2.1 million as of November 30, 2024, mainly because we had made the lease payments of RMB0.3 million.

CAPITAL EXPENDITURES

We regularly incur capital expenditures to purchase and maintain our property, plant and equipment in order to enhance our drug development capabilities, expand our business operations, and upgrade our facilities. Historically, we have funded our capital expenditures primarily through equity and debt financings. The following table sets forth our capital expenditures for the periods indicated:

	For the Year Ended December 31,	For the Nine Months Ended September 30,	
	2023	2023	2024
		(RMB in thousands)	
			(unaudited)
Capital expenditures			
Purchases of items of property, plant and equipment	136,365	116,230	79,220

We plan to finance our future capital expenditures primarily with existing cash and cash equivalents, banks loans, and net [**REDACTED**] from the [**REDACTED**]. See "Future Plans and Use of [**REDACTED**]" for more details. We may adjust our capital expenditures for any given period according to our development plans or in light of market conditions and other factors as appropriate.

COMMITMENTS

Capital Commitments

As of December 31, 2023 and September 30, 2024, we had capital expenditures contracted for but not yet incurred relating to property, plant and equipment, amounting to RMB101.9 million and RMB104.3 million, respectively.

CONTINGENT LIABILITIES

As of December 31, 2023 and September 30, 2024, we did not have any material contingent liabilities. We confirm that as of the Latest Practicable Date, there had been no material changes or arrangements to our contingent liabilities.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

We had not entered into any off-balance sheet transactions during the Track Record Period and as of the Latest Practicable Date.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we entered into certain transactions with our related parties. For details, see Note 31 to the Accountants' Report set out in Appendix I to this document. Our Directors confirm that each of the significant related party transactions during the Track Record Period was conducted on an arm's length basis, and would not distort our results of operations over the Track Record Period or make our historical results not reflective of our future performance.

KEY FINANCIAL RATIOS

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

	As of December 31, 2023	As of September 30, 2024
Current ratio[(1)]	2.5	3.7

Note:

(1) Current ratio is calculated as current assets divided by current liabilities as of the end of the year/period.

Our current ratio increased from 2.5 as of December 31, 2023 to 3.7 as of September 30, 2024, because the increase in our current assets outpaced the increase in our current liabilities. The increase in our current assets was primarily attributable to an increase in cash and bank balances, resulting from the cash inflows from our Series C Financing. The increase in our current liabilities was primarily attributable to an increase in interest-bearing bank borrowings.

FINANCIAL RISK DISCLOSURE

We are exposed to a variety of financial risks, including interest rate risk, foreign currency risk, credit risk, and liquidity risk. Our management manages and monitors these exposures to ensure appropriate measure are implemented on a timely and effective manner. For details, see Note 34 to the Accountants' Report set out in Appendix I to this document.

Interest Rate Risk

Our exposure to the risk of changes in market interest rates primarily relates to our bank borrowings with a floating interest rate. For details on a sensitivity analysis of change in interest rates, see Note 34 to the Accountants' Report set out in Appendix I to this document.

Foreign Currency Risk

Our major businesses are in Mainland China and the majority of the transactions are conducted in Renminbi. Most of our assets and liabilities are denominated in Renminbi. We do not have material foreign currency risk during the Track Record Period.

Credit Risk

We trade only with recognized and creditworthy third parties. It is our policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and our exposure to bad debts is not significant.

The credit risk of our financial assets, which comprise cash and cash equivalents, restricted cash, trade receivables, financial assets included in prepayments, other receivables and other assets, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. For more information related to maximum exposure and year-end staging of credit risk, see Note 34 to the Accountants' Report set out in Appendix I to this document.

Liquidity Risk

We monitor and maintain a level of cash and cash equivalents deemed adequate by our management to finance the operations and mitigate the effects of fluctuations in cash flows. For further details and an analysis of the maturity profile of our financial liabilities and lease liabilities at the end of each period comprising the Track Record Period, see Note 34 to the Accountants' Report set out in Appendix I to this document.

DIVIDENDS

We did not declare or pay any dividend during the Track Record Period. We currently intend to retain all available funds and earnings, if any, to fund the development and expansion of our business and we do not anticipate paying any cash dividends in the foreseeable future. [**REDACTED**] should not purchase our ordinary shares with the expectation of receiving cash dividends. Any future determination to pay dividends will be made at the discretion of our Directors and may be based on a number of factors, including our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, and other factors that our Directors may deem relevant. Regulations in the PRC currently permit payment of dividends of a PRC company only out of accumulated distributable after-tax profits less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make, as determined in accordance with its articles of association and the accounting standards and regulations in China. As a result, we may not have sufficient or any distributable profits to make dividend contributions to our Shareholders, even if we become profitable.

PROPERTY INTEREST AND PROPERTY VALUATION

Avistra, an independent property valuer, has valued our selective property interests as of November 30, 2024. Particulars of these property interests are set out in Appendix III to this document.

The table below sets out the reconciliation between the net book value of our selective property as of September 30, 2024 in the Accountants' Report set out in Appendix I to this document and the market value of our selective property as of November 30, 2024 in the Property Valuation Report set out in Appendix III to this document.

	(RMB'000)
Net book value of our selective property as of September 30, 2024	479,123
Addition for the two months ended November 30, 2024	12,953
Depreciation and amortization for the two months ended November 30, 2024	(1,117)
Net book value as of November 30, 2024	490,959
Valuation surplus as of November 30, 2024	7,651
Valuation as of November 30, 2024 as set out in Appendix III to this document	498,610

DISTRIBUTABLE RESERVES

As of September 30, 2024, we did not have any distributable reserves.

[**REDACTED**]

[**REDACTED**] to be borne by us are estimated to be approximately HK$[**REDACTED**] million (including [**REDACTED**], assuming an [**REDACTED**] of HK$[**REDACTED**] per H Share, being the mid-point of the [**REDACTED**] of HK$[**REDACTED**] to HK$[**REDACTED**] per H Share), which represent [**REDACTED**]% of the gross [**REDACTED**] from the [**REDACTED**], assuming no H Shares are [**REDACTED**] pursuant to the [**REDACTED**]. The above [**REDACTED**] are comprised of (i) [**REDACTED**]-related expenses of HK$[**REDACTED**] million, and (ii) non-[**REDACTED**]-related expenses of HK$[**REDACTED**] million, including (a) the legal advisors and the reporting accountants expenses of HK$[**REDACTED**] million, and (b) other fees and expenses of HK$[**REDACTED**] million. During the Track Record Period, we did not incur [**REDACTED**] in connection with the proposed [**REDACTED**]. We expect to incur [**REDACTED**] of approximately HK$[**REDACTED**] million after the Track Record Period, approximately HK$[**REDACTED**] million of which is expected to be charged to our consolidated statements of profit or loss, and approximately HK$[**REDACTED**] million of which is attributable to the issue of Shares and will be deducted from equity upon [**REDACTED**]. The [**REDACTED**] above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

[**REDACTED**]

[**REDACTED**]

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, there has been no material adverse change in our financial or trading position or prospects since September 30, 2024 and up to the date of this document and there is no event since September 30, 2024 which would materially affect the information shown in our consolidated financial statements included in the Accountants' Report set out in Appendix I to this document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF 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 of the Listing Rules.

This section presents certain information regarding the share capital of our Company following the completion of the [**REDACTED**].

IMMEDIATELY BEFORE THE [REDACTED]

As of the Latest Practicable Date, the registered share capital of our Company was RMB57,613,953 divided into 57,613,953 Unlisted Shares with a nominal value of RMB1.0 each.

UPON COMPLETION OF THE SHARE SUBDIVISION AND THE [REDACTED]

Immediately following the completion of the Share Subdivision, the [**REDACTED**] and the conversion of certain Unlisted Shares into H Shares, assuming that the [**REDACTED**] is not exercised, the share capital of our Company will be as follows:

Description of Shares	Number of Shares	Approximate percentage of issued share capital of our Company[2]
		(%)
Unlisted Shares in issue	168,320,915	[**REDACTED**]%
H Shares to be issued under the [**REDACTED**]	[**REDACTED**]	[**REDACTED**]%
H Shares converted from Unlisted Shares[1]	119,748,850	[**REDACTED**]%
Total	[**REDACTED**]	**100.00**

Notes:

(1) For details of the identities of the Shareholders whose Shares will be converted into H Shares upon the [**REDACTED**], see "History, Development and Corporate Structure — Capitalization."

(2) Any discrepancies in the table between the total shown and the sum of the amounts listed are due to rounding.

Immediately following completion of the Share Subdivision, the [**REDACTED**] and the conversion of Unlisted Shares into H Shares, assuming the [**REDACTED**] is fully exercised, the issued share capital of our Company will be as follows:

Description of Shares	Number of Shares	Approximate percentage of issued share capital of our Company[2]
		(%)
Unlisted Shares in issue	168,320,915	[**REDACTED**]%
H Shares to be issued under the [**REDACTED**]	[**REDACTED**]	[**REDACTED**]%
H Shares converted from Unlisted Shares[1]	119,748,850	[**REDACTED**]%
Total	[**REDACTED**]	**100.00**

Notes:

(1) For details of the identities of the Shareholders whose Shares will be converted into H Shares upon the [**REDACTED**], see "History, Development and Corporate Structure — Capitalization."

(2) Any discrepancies in the table between the total shown and the sum of the amounts listed are due to rounding.

RANKING

Upon completion of the [**REDACTED**], we would have only one class of Shares. H Shares and Unlisted Shares are all ordinary Shares in the share capital of our Company. However, apart from certain qualified domestic institutional investors in the PRC, the qualified PRC investors under the Shanghai — Hong Kong Stock Connect or the Shenzhen — Hong Kong Stock Connect and other persons who are entitled to hold our H Shares pursuant to relevant PRC laws and regulations or upon approvals of any competent authorities, H Shares generally cannot be [**REDACTED**] for by or [**REDACTED**] between legal or natural persons of the PRC. Unlisted Shares and H Shares will rank *pari passu* with each other in all respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this document. All dividends in respect of the H Shares are to be paid by us in Hong Kong dollars or in the form of H Shares.

CONVERSION OF OUR UNLISTED SHARES INTO H SHARES

The Company has filed for a "full circulation" of existing 119,748,850 Unlisted Shares into H Shares on a one-for-one basis, taking into account the Share Subdivision, and submitted the application reports, authorization documents of the shareholders of Unlisted Shares for which an H-share "full circulation" are applied, explanation about the compliance of share acquisition and other documents in accordance with the requirements of the CSRC. The relevant filings of the conversion of the existing 119,748,850 Unlisted Shares (taking into account the Share Subdivision) held by the existing Shareholders into H Shares on a one-for-one basis have been completed on [●], 2025.

Upon completion of the [**REDACTED**], if any of our Shares are not [**REDACTED**] or [**REDACTED**] on any stock exchange, the holders of our Unlisted Shares (other than those to be converted to H Shares) may convert their Shares into H Shares provided such conversion shall have gone through any requisite internal approval process and complied with the regulations prescribed by the securities regulatory authorities of the State Council and the regulations, requirements and procedures prescribed by the overseas stock exchange(s) and have completed the required filing with the securities regulatory authorities of the State Council, including the CSRC. The [**REDACTED**] of such converted Shares on the Stock Exchange will also require the approval of the Stock Exchange.

Based on the procedures for the conversion of our Unlisted Shares into H Shares as disclosed in this section, we can apply for the [**REDACTED**] of all or any portion of our Unlisted Shares on the Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of Shares for entry on the [**REDACTED**]. As any [**REDACTED**] of additional Shares after our initial [**REDACTED**] on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it will not require such prior application for [**REDACTED**] at the time of our initial [**REDACTED**] in Hong Kong.

No class Shareholder voting is required for the [**REDACTED**] and [**REDACTED**] of the converted Shares on the Stock Exchange. Any application for [**REDACTED**] of the converted Shares on the Stock Exchange after our initial [**REDACTED**] is subject to prior notification by way of announcement to inform Shareholders and the [**REDACTED**] of such proposed conversion.

After all the requisite approvals have been obtained, the following procedures will need to be completed: the relevant Unlisted Shares will be withdrawn from the Share register and we will re-register such Shares on our [**REDACTED**] maintained in Hong Kong and instruct the [**REDACTED**] to issue H Share certificates. Registration on our [**REDACTED**] will be on the condition that (a) our [**REDACTED**] lodges with the Stock Exchange a letter confirming the proper entry of the relevant H Shares on the [**REDACTED**] of members and the due dispatch of H Share certificates and (b) the admission of the H Shares to [**REDACTED**] on the Stock Exchange will comply with the Listing Rules and the General Rules of HKSCC and the HKSCC Operational Procedures in force from time to time. Until the converted Shares are re-registered on our [**REDACTED**], such Shares would not be [**REDACTED**] as H Shares.

For further details, see "Risk Factors — Risks Relating to the [**REDACTED**] — Future sales or perceived sales of our H Shares in the [**REDACTED**] market by major Shareholders, or any possible conversion of our Unlisted Shares into H Shares, following the [**REDACTED**] may adversely affect the [**REDACTED**] of our H Shares."

TRANSFER OF SHARES ISSUED PRIOR TO THE [REDACTED]

Pursuant to the PRC Company Law, our Shares issued prior to the [**REDACTED**] shall not be transferred within one year from the [**REDACTED**]. Shares transferred by our Directors, Supervisors and members of the senior management each year during their term of office shall not exceed 25% of their total respective shareholdings in our Company. The Shares that the aforementioned persons hold in our Company cannot be transferred within one year from the [**REDACTED**], nor within half a year after they leave their positions as Directors, Supervisors or members of the senior management in our Company.

See "[**REDACTED**]" and "[**REDACTED**]" for details of the lock-up undertakings.

SHAREHOLDERS' GENERAL MEETING

For details of circumstances under which our Shareholders' general meeting is required, see "Appendix V — Summary of Principal Legal and Regulatory Provisions" and "Appendix VI — Summary of Articles of Association."

GENERAL MANDATES TO ISSUE SHARES, SELL AND/OR TRANSFER TREASURY SHARES

Subject to the completion of the [**REDACTED**], pursuant to the Shareholders resolutions of the Company, our Directors have been granted general unconditional mandates to issue our Shares and sell and/or transfer our Shares out of treasury that are held as treasury shares and repurchase our Shares. See "Appendix VII — Statutory and General Information — A. Further Information about the Group — 4. Resolutions of Our Shareholders."

REGISTRATION OF SHARES NOT [REDACTED] ON AN OVERSEAS STOCK EXCHANGE

According to the Guidelines for the "Full Circulation" Program for Domestic Unlisted Shares of H-Share Listed 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, the domestic shareholders of our Shares that are not [**REDACTED**] on the overseas stock exchange shall handle share transfer registration business in accordance with the relevant business rules of the CSDC. Further, H-share companies should submit the relevant status reports to the CSRC within 15 days after the transfer registration with the CSDC of such shares involved in the application is completed.

So far as our Directors are aware, immediately following the completion of the [**REDACTED**] and the conversion of our Unlisted Shares to H Shares assuming the [**REDACTED**] is not exercised, the following persons will have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, 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:

Name of Shareholder	Capacity/Nature of interest	Description of Shares[1]	Number of Shares (to be converted)[1]	Approximate percentage of shareholding in the Unlisted Shares/H Shares (to be converted) of our Company as of the Latest Practicable Date[1]	Approximate percentage of shareholding in the total Share capital of our Company immediately after completion of the [REDACTED] (assuming the [REDACTED] is not exercised)[2]	Approximate percentage of shareholding in the Unlisted Shares/H Shares immediately after completion of the [REDACTED] (assuming the [REDACTED] is not exercised)[3]
Dr. Liu	Beneficial owner	Unlisted Shares	54,977,530	32.66%	[**REDACTED**]%	[**REDACTED**]%
		H Shares	6,108,615	5.10%	[**REDACTED**]%	[**REDACTED**]%
	Interest in controlled corporation[4]	Unlisted Shares	23,562,700	14.00%	[**REDACTED**]%	[**REDACTED**]%
		H Shares	10,098,300	8.43%	[**REDACTED**]%	[**REDACTED**]%
	Interest jointly held with another person[5]	Unlisted Shares	27,750,000	16.49%	[**REDACTED**]%	[**REDACTED**]%
		H Shares	9,750,000	8.14%	[**REDACTED**]%	[**REDACTED**]%
Ms. Wang	Beneficial owner	Unlisted Shares	20,250,000	12.03%	[**REDACTED**]%	[**REDACTED**]%
		H Shares	2,250,000	1.88%	[**REDACTED**]%	[**REDACTED**]%
	Interest jointly held with another person[5]	Unlisted Shares	86,040,230	51.12%	[**REDACTED**]%	[**REDACTED**]%
		H Shares	23,706,915	19.80%	[**REDACTED**]%	[**REDACTED**]%
Mr. Tan	Beneficial owner	Unlisted Shares	7,500,000	4.46%	[**REDACTED**]%	[**REDACTED**]%
		H Shares	7,500,000	6.26%	[**REDACTED**]%	[**REDACTED**]%
	Interest jointly held with another person[5]	Unlisted Shares	98,790,230	58.69%	[**REDACTED**]%	[**REDACTED**]%
		H Shares	18,456,915	15.41%	[**REDACTED**]%	[**REDACTED**]%
Shanghai Luoxu[4]	Beneficial owner	Unlisted Shares	13,125,000	7.80%	[**REDACTED**]%	[**REDACTED**]%
		H Shares	5,625,000	4.70%	[**REDACTED**]%	[**REDACTED**]%

Name of Shareholder	Capacity/Nature of interest	Description of Shares[1]	Number of Shares (to be converted)[1]	Approximate percentage of shareholding in the Unlisted Shares/H Shares (to be converted) of our Company as of the Latest Practicable Date[1]	Approximate percentage of shareholding in the total Share capital of our Company immediately after completion of the [REDACTED] (assuming the [REDACTED] is not exercised)[2]	Approximate percentage of shareholding in the Unlisted Shares/H Shares immediately after completion of the [REDACTED] (assuming the [REDACTED] is not exercised)[3]
Shanghai Luojun[4]	Beneficial owner	Unlisted Shares	7,255,915	4.31%	[REDACTED]%	[REDACTED]%
		H Shares	3,109,680	2.60%	[REDACTED]%	[REDACTED]%
Ningbo Hongsheng[4]	Beneficial owner	Unlisted Shares	3,181,785	1.89%	[REDACTED]%	[REDACTED]%
		H Shares	1,363,620	1.14%	[REDACTED]%	[REDACTED]%
Center Lab[6]	Beneficial owner	Unlisted Shares	31,924,265	18.97%	[REDACTED]%	[REDACTED]%
		H Shares	7,981,065	6.66%	[REDACTED]%	[REDACTED]%
Center Laboratories[6]	Interest in controlled corporation	Unlisted Shares	31,924,265	18.97%	[REDACTED]%	[REDACTED]%
		H Shares	7,981,065	6.66%	[REDACTED]%	[REDACTED]%
Venus Capital HK Limited[7]	Beneficial owner	Unlisted Shares	–	0.00%	[REDACTED]%	[REDACTED]%
		H Shares	16,111,110	13.45%	[REDACTED]%	[REDACTED]%
PCJ Bao Holdings Limited[7]	Beneficial owner	Unlisted Shares	–	0.00%	[REDACTED]%	[REDACTED]%
		H Shares	5,550,000	4.63%	[REDACTED]%	[REDACTED]%
Fangyuan Capital Holdings (Cayman) Limited[7]	Interest in controlled corporation	Unlisted Shares	–	0.00%	[REDACTED]%	[REDACTED]%
		H Shares	21,661,110	18.09%	[REDACTED]%	[REDACTED]%
Ms. Zheng Juan (鄭娟) ("**Ms. Zheng**")[7]	Interest in controlled corporation	Unlisted Shares	–	0.00%	[REDACTED]%	[REDACTED]%
		H Shares	21,661,110	18.09%	[REDACTED]%	[REDACTED]%
Shanghai Xihao Investment Management Co., Ltd. (上海熙灝投資管理有限公司) ("**Shanghai Xihao**")[8]	Interest in controlled corporation	Unlisted Shares	–	0.00%	[REDACTED]%	[REDACTED]%
		H Shares	8,319,280	6.95%	[REDACTED]%	[REDACTED]%

Name of Shareholder	Capacity/Nature of interest	Description of Shares[1]	Number of Shares (to be converted)[1]	Approximate percentage of shareholding in the Unlisted Shares/H Shares (to be converted) of our Company as of the Latest Practicable Date[1]	Approximate percentage of shareholding in the total Share capital of our Company immediately after completion of the [REDACTED] (assuming the [REDACTED] is not exercised)[2]	Approximate percentage of shareholding in the Unlisted Shares/H Shares immediately after completion of the [REDACTED] (assuming the [REDACTED] is not exercised)[3]
Mr. Li Jiaqi (李佳琦) ("**Mr. Li**")[8]	Interest in controlled corporation	Unlisted Shares	–	0.00%	[**REDACTED**]%	[**REDACTED**]%
		H Shares	8,319,280	6.95%	[**REDACTED**]%	[**REDACTED**]%
Jiangsu Yunpan Trading Co., Ltd. (江蘇雲畔商貿有限公司) ("**Jiangsu Yunpan**")[8] . .	Interest in controlled corporation	Unlisted Shares	–	0.00%	[**REDACTED**]%	[**REDACTED**]%
		H Shares	8,319,280	6.95%	[**REDACTED**]%	[**REDACTED**]%
Mr. Qian Zhimin (錢志敏) ("**Mr. Qian**")[8] . . .	Interest in controlled corporation	Unlisted Shares	–	0.00%	[**REDACTED**]%	[**REDACTED**]%
		H Shares	8,319,280	6.95%	[**REDACTED**]%	[**REDACTED**]%
Shanghai Biomedical Industry Equity Investment Fund Partnership (Limited Partnership) (上海生物醫藥產業股權投資基金合夥企業(有限合夥)) ("**SHC**")[9] . .	Beneficial Owner	Unlisted Shares	2,957,170	1.76%	[**REDACTED**]%	[**REDACTED**]%
		H Shares	8,871,510	7.41%	[**REDACTED**]%	[**REDACTED**]%

Name of Shareholder	Capacity/Nature of interest	Description of Shares[1]	Number of Shares (to be converted)[1]	Approximate percentage of shareholding in the Unlisted Shares/H Shares (to be converted) of our Company as of the Latest Practicable Date[1]	Approximate percentage of shareholding in the total Share capital of our Company immediately after completion of the [REDACTED] (assuming the [REDACTED] is not exercised)[2]	Approximate percentage of shareholding in the Unlisted Shares/H Shares immediately after completion of the [REDACTED] (assuming the [REDACTED] is not exercised)[3]
Shanghai Healthcare Capital Management Co., Ltd. (上海生物醫藥產業股權投資基金管理有限公司) ("**SHC Management**")[9].	Interest in controlled corporation	Unlisted Shares	2,957,170	1.76%	[**REDACTED**]%	[**REDACTED**]%
		H Shares	8,871,510	7.41%	[**REDACTED**]%	[**REDACTED**]%

Notes:

(1) For the avoidance of doubt, both Unlisted Shares and H Shares are ordinary Shares in the share capital of our Company, and are considered as one class of Shares. All interests stated are long positions. The calculation is based on the total number of Shares in issue as of the Latest Practicable Date and the assumption that the Share Subdivision is completed, which consist of 288,069,765 Unlisted Shares among which, 119,748,850 of the Unlisted Shares will be converted into H Shares upon completion of the [**REDACTED**] after receipt of the filing notice regarding H share "Full circulation" from the CSRC.

(2) The calculation is based on the total number of [**REDACTED**] Shares in issue immediately after completion of the [**REDACTED**] (without taking into account the H Shares which may be issued upon the exercise of the [**REDACTED**]).

(3) The calculation is based on the total number of [**REDACTED**] Unlisted Shares and [**REDACTED**] H Shares in issue immediately after completion of the [**REDACTED**] (without taking into account the H Shares which may be issued upon the exercise of the [**REDACTED**]) after receipt of the filing notice regarding H share "Full circulation" from the CSRC.

(4) Each of Shanghai Luoxu, Shanghai Luojun and Ningbo Hongsheng is one of our Share Incentive Platforms and a limited partnership established under the laws of PRC. Pursuant to the [**REDACTED**] Share Incentive Plans, each of the Share Incentive Platforms is managed by their executive partner, Dr. Liu, who controls the voting rights and decision-making of the Share Incentive Platforms. As such, Dr. Liu is deemed to be interested in the Shares held by each of the Share Incentive Platforms under the SFO. See "Appendix VII — Statutory and General Information — C. Further Information about the Directors, Supervisors, Senior Management and Substantial Shareholders — 5. [**REDACTED**] Share Incentive Plans" for further details.

(5) Dr. Liu, Ms. Wang, and Mr. Tan (collectively, the "**Concert Parties**") entered into an acting-in-concert agreement (the "**AIC Agreement**") on March 10, 2021, pursuant to which the Concert Parties had confirmed and agreed that they would: (i) act in concert with respect to the matters relating to the daily operations, key matters or any other matters required to be approved by the shareholders' meetings or board meetings of the Company; (ii) consult each other and reach a consensus before voting at board meetings and/or shareholders' meetings of the Company; and (iii) in the event that the Concert Parties fail to reach a consensus, vote based

on Dr. Liu's opinion. As such, each of the Concert Parties and the Share Incentive Platforms is deemed to be interested in the Shares each other is interested in under the SFO. See "History, Development and Corporate Structure — Acting In Concert Agreement" for details.

(6) To the best of our Directors' knowledge, Center Laboratories Limited is a private company limited by shares incorporated in Hong Kong, which is wholly-owned by Center Laboratories Inc., a company listed on the Taipei Exchange (TWO: 4123).

(7) To the best of our Directors' knowledge, Venus Capital HK Limited is directly wholly-owned by Fangyuan J Fund II, which is in turn wholly-owned by Fangyuan Capital Holdings (Cayman) Limited. Fangyuan Capital Holdings (Cayman) Limited is wholly-owned by Ms. Zheng.

PCJ Bao Holdings Limited is directly wholly-owned by Fangyuan Growth SPC — PCJ Healthcare Fund SP, which is wholly-owned by PCJ Capital Management Limited. Fangyuan Capital Holdings (Cayman) Limited holds 50% of PCJ Capital Management Limited, and is in turn wholly-owned by Ms. Zheng. Therefore, Ms. Zheng is deemed to be interested in the Shares held by Venus Capital HK Limited and PCJ Bao Holdings Limited under the SFO.

(8) To the best of our Directors' knowledge, the general partner of Shanghai Cixi and Jiaxing Xiqi is Shanghai Xihao, holding approximately 0.10% of the partnership interest and approximately 1.11% of the partnership interests, respectively. Shanghai Xihao was owned as to 50.00% by Mr. Li. Therefore, Shanghai Xihao and Mr. Li are deemed to be interested in the Shares held by Shanghai Cixi and Jiaxing Xiqi under the SFO.

Shanghai Cixi is a limited partnership established in the PRC. Shanghai Cixi had two limited partners, namely Jiangsu Yunpan and Shenzhen Yingsheng Investment Co., Ltd. (深圳市英晟投資有限公司) ("**Shenzhen Yingsheng**"), each holding 49.95% of the partnership interest, respectively. Jiangsu Yunpan was owned as to 99.00% by Mr. Qian. Shenzhen Yingsheng was owned as to approximately 87.44% by Mr. Li. Therefore, Jiangsu Yunpan, Shenzhen Yingsheng, Mr. Qian and Mr. Li are deemed to be interested in the Shares held by Shanghai Cixi under the SFO.

Jiaxing Xiqi is a limited partnership established in the PRC. Jiaxing Xiqi had four limited partners, with the two largest limited partners, namely Xu Ren (徐任) and Jiangsu Yunpan, holding approximately 44.44% and 43.33% of the partnership interest, respectively. Therefore, Xu Ren, Jiangsu Yunpan and Mr. Qian are deemed to be interested in the Shares held by Jiaxing Xiqi under the SFO.

(9) To the best of our Directors' knowledge, SHC is a limited partnership established in the PRC. SHC has eight limited partners. None of its limited partners holds more than one third of its partnership interests. The general partner of SHC is Shanghai Healthcare Capital Management Co., Ltd. (上海生物醫藥產業股權投資基金管理有限公司), holding approximately 0.61% of its partnership interest. None of the shareholders of SHC Management holds more than 30% of its total issued share capital.

Save as disclosed above, our Directors are not aware of any person who will, immediately following completion of the [**REDACTED**] and the conversion of our Unlisted Shares to H Shares (assuming that the [**REDACTED**] is not exercised), have any interest and/or short position in the Shares or underlying Shares of our Company which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company or any other member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

DIRECTORS

Upon [**REDACTED**], our Board will consist of eleven Directors, including four executive Directors, three non-executive Directors and four independent non-executive Directors. Our Directors serve a term of three years and may be re-elected for successive reappointments.

The following table sets forth certain information about our Directors:

Name	Age	Position	Responsibilities	Date of the first appointment as a Director	Date of joining the Group
Executive Directors					
Dr. Liu Yanjun (劉彥君)	59	Co-founder, chairman of our Board and executive Director	Responsible for the overall strategic planning of our Group and making key business and operational decisions of our Group	December 2019	December 2019
Ms. Wang Zheng (王徵)	48	Co-founder, executive Director and Chief Executive Officer	Responsible for the business operations, R&D and overall operation management of our Group	September 2020	September 2020
Mr. Tan Jingwei (譚靖偉)	58	Executive Director and director of internal control	Responsible for the formulation of internal control policies and overseeing internal control work of our Group	February 2021	September 2020
Ms. Li Cui (李翠)	38	Executive Director, Chief Financial Officer and secretary to the Board	Overseeing financial management, corporate governance, investor relations, and capital markets activities of our Group	January 2025	December 2021

Name	Age	Position	Responsibilities	Date of the first appointment as a Director	Date of joining the Group
Non-executive Directors					
Ms. Lin Chia-Ling (林佳陵) . .	40	Non-executive Director	Responsible for participating in major decisions on our Group's operations and development	January 2025	January 2025
Mr. Diao Juanhuan (刁雋桓) . .	53	Non-executive Director	Responsible for participating in major decisions on our Group's operations and development	August 2022	August 2022
Mr. Li Chen. .	43	Non-executive Director	Responsible for participating in major decisions on our Group's operations and development	July 2024	July 2024
Independent Non-executive Directors					
Mr. Cai Zhongxi (蔡仲曦) . .	59	Independent Non-executive Director	Responsible for supervising and offering independent judgment to the Board	July 2024	July 2024
Dr. Zeng Fanyi (曾凡一) . .	57	Independent Non-executive Director	Responsible for supervising and offering independent judgment to the Board	July 2024	July 2024
Dr. Ju Dianwen (鞠佃文) . .	56	Independent Non-executive Director	Responsible for supervising and offering independent judgment to the Board	July 2024	July 2024
Mr. Zhang Senquan (張森泉) . .	48	Independent Non-executive Director	Responsible for supervising and offering independent judgment to the Board	January 2025	January 2025

Executive Directors

Dr. Liu Yanjun (劉彥君), aged 59, is a co-founder of our Group, the chairman of our Board and an executive Director. He is primarily responsible for the overall strategic planning of our Group and making key business and operational decisions of our Group.

Dr. Liu has been serving as a Director of our Company since its inception and the chairman of our Board since September 2020, and was re-designated as an executive Director in January 2025. Dr. Liu has also been serving as a director and chairman of board of directors of Suzhou Centergene since January 2021 and a director of ABLINK Biotechnology Co., Ltd. (成都盛世君聯生物技術有限公司) since May 2021.

Dr. Liu has over 35 years of experiences in the medical and pharmaceutical industry. He served as a teaching assistant at the Department of Naval Medicine of Second Military Medical University (第二軍醫大學) (currently known as Naval Medical University (中國人民解放軍海軍軍醫大學)) from July 1989 to September 1991. From July 1998 to August 1999, he served as an attending physician and lecturer at the Cancer Immunotherapy and Gene Therapy Center of the Second Military Medical University Eastern Hepatobiliary Surgery Hospital (第二軍醫大學東方肝膽外科醫院) (currently known as Shanghai Eastern Hepatobiliary Surgery Hospital (上海東方肝膽外科醫院). He also served as the director and associate researcher at the Second Military Medical University Molecular Biology Laboratory of Cancer Research Institute (第二軍醫大學腫瘤研究所分子生物學研究室) from August 1999 to January 2001. He further served as the vice general manager of Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. (上海復旦張江生物醫藥股份有限公司) (HKEX: 1349) from January 2001 to February 2012. He then served as vice president of Shanghai Pharmaceuticals Holding Co., Ltd. (上海醫藥集團股份有限公司) (HKEX: 2607; SHSE: 601607) from June 2013 to June 2019, and served various positions at subsidiaries of Shanghai Pharmaceuticals Holding Co., Ltd., including president at Central Research Institution of Shanghai Pharmaceuticals Holding Co., Ltd. (上海醫藥集團股份有限公司中央研究院) and the chairman of Shanghai Jiaolian Medicine Research and Development Co., Ltd. (上海交聯藥物研發有限公司) (currently known as Shanghai Shangyao Cross Linked Pharmaceutical Technology Co., Ltd. (上海上藥交聯醫藥科技有限公司)).

Dr. Liu obtained his bachelor's degree in naval medicine, master's degree in pharmacology, and doctoral degree in surgery from Second Military Medical University (第二軍醫大學) (currently known as Naval Medical University (中國人民解放軍海軍軍醫大學)) in the PRC in July 1989, July 1994, and June 1998, respectively. Dr. Liu has published more than 30 research papers, and is the inventor of more than 50 patents. Dr. Liu passed the Shanghai Natural Science Research Series Senior Professional and Technical Position Qualification (上海市自然科學研究系列高級專業技術職務任職資格) in April 2005 and was granted a senior professional title and recognized as a researcher.

Dr. Liu currently serves as a post-doctoral fellow and visiting scholar at San Diego Sidney Kimmel Cancer Center in California, the United States. He is the vice chairman of the fifth council of China Medicinal Biotech Association (中國醫藥生物技術協會第五屆理事會) and the chairman of the Ninth Shanghai Engineering Series Medical Professional Senior Professional Technical Qualification Review Committee (上海市工程系列醫藥專業高級專業技術職務任職資格評審委員會). He is also a committee member of the Biological Products Supervision and Management Professional Committee of China Society for Drug Regulation (中國藥品監督管理研究會) and Shanghai Biomedical Industry Technology Functional Platform Expert Committee (上海市生物醫藥產業技術功能型平台專家委員會). Dr. Liu is a recipient of the State Council Special Allowance (國務院特殊津貼).

Ms. Wang Zheng (王徵), aged 48, is a co-founder of our Group, an executive Director and Chief Executive Officer of our Company. She is primarily responsible for the business operations, R&D and overall operation management of our Group.

Ms. Wang has been serving as the general manager and a Director of our Company since September 2020 and was re-designated as an executive Director in January 2025. She has also been serving as the general manager of Suzhou Kangju since August 2011, the general manager of Suzhou Centergene since July 2014 and the director and general manager of Hainan Baoji since February 2022. She is a supervisor of Suzhou Shengde Yuekai Investment Management Co., Ltd. (蘇州晟德悅凱投資管理有限公司) since April 2017.

Ms. Wang has over 20 years of experience in genetic engineering drug development and has participated in and led more than 10 national, provincial, and municipal scientific research projects. She has extensive theoretical knowledge and practical experience in protein hormone drugs and recombinant protein drugs. Prior to establishing our Group, she served as project manager at Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. (上海復旦張江生物醫藥股份有限公司) (HKEX: 1349) from September 2001 to July 2010, where she focused on genetic engineering drug development. Ms. Wang joined Suzhou Kangju in August 2011 and has been primarily focusing on genetic engineering drug development and has successfully built technology platforms and pipeline products.

Ms. Wang obtained a bachelor's degree and a master's degree in microbiology from Huazhong Agricultural University (華中農業大學) in the PRC in June 1998 and June 2001, respectively. In December 2014, Ms. Wang was recognized as the Science and Technology Leading Talent of Suzhou Industrial Park Jinjihu Dual Hundred Talents Program (蘇州市金雞湖雙百人才計畫 — 科技領軍人才) by Chinese Communist Party Suzhou Industrial Park Working Committee and Suzhou Industrial Park Administrative Committee. In December 2021, she received the Zhangjiang Outstanding Innovation and Entrepreneurship Talent Award (張江傑出創新創業人才) from Shanghai Science and Technology Innovation Center Construction Office and Shanghai Municipal Human Resources and Social Security Bureau. In January 2023, she was recognized as Shanghai Industrial Elite Leading Talent (上海產業菁英領軍人才) by the Shanghai Economic and Information Technology Working Committee and Shanghai Economic and Information Technology Commission. In December 2023, she was selected for the Oriental Talent Program Outstanding Project (東方英才計畫拔尖專案) by the Shanghai Municipal Committee Talent Work Leading Group Office.

Mr. Tan Jingwei (譚靖偉), aged 58, is an executive Director and the director of internal control of our Company. He is primarily responsible for the formulation of internal control policies and overseeing internal control work of our Group.

Mr. Tan has been serving as a Director and the director of internal control of our Company since February 2021, and was re-designated as our executive Director in January 2025. Mr. Tan has also been serving as the supervisor of Suzhou Kangju since July 2017 and Suzhou Centergene since July 2022.

Mr. Tan has over 35 years of experience in biological research and pharmaceutical industry. Prior to joining our Group, he served as an assistant researcher at the Toxicology Research Laboratory of the Shanghai Institute of Entomology, Chinese Academy of Sciences (中國科學院上海昆蟲研究所) (currently known as Chinese Academy of Sciences Center for Excellence in Molecular Plant Science (中國科學院分子植物科學卓越創新中心)) from August 1988 to July 1998, during which he was awarded the title of intermediate research assistant in insect biochemical toxicology by Shanghai Institute of Entomology, Chinese Academy of Sciences in December 1993. He also served as a purification process researcher at Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. (上海復旦張江生物醫藥股份有限公司) (HKEX: 1349) from August 1998 to August 2009. He then served as the technical director at Suzhou Kangju from August 2011 to July 2014. He later served as the technical director and deputy general manager at Suzhou Centergene from August 2014 to August 2020.

Mr. Tan obtained a bachelor's degree in bioengineering from East China Institute of Chemical Technology (華東化工學院) (currently known as East China University of Science and Technology (華東理工大學)) in the PRC in July 1988.

Ms. Li Cui (李翠), aged 38, has served as our Chief Financial Officer since December 2021, secretary to the Board since July 2023, and an executive Director since January 2025. She is responsible for overseeing financial management, corporate governance, investor relations, and capital markets activities of our Group.

Prior to joining our Group, Ms. Li served as auditor at Deloitte Touche Tohmatsu Certified Public Accountants LLP Suzhou Branch (德勤華永會計師事務所(特殊普通合夥)蘇州分所) from July 2008 to November 2010. She then worked as assurance manager at PricewaterhouseCoopers Zhong Tian LLP （普華永道中天會計師事務所(特殊普通合夥)) from November 2010 to July 2017. Ms. Li also served as financial director at Yikon Genomics (Shanghai) Co., Ltd. (上海億康醫學檢驗所有限公司) from July 2017 to October 2017, followed by a position as deputy financial general manager at New World Department Stores (Holdings) Limited (新世界百貨(中國)有限公司) from October 2017 to August 2018. She then served as financial director at PPDai Group Inc. (上海拍拍貸金融信息服務有限公司) from August 2018 to December 2020. She was the financial director at Genor Biopharma Co., Ltd. (嘉和生物藥業有限公司) (HKEX: 6998) from December 2020 to December 2021.

Ms. Li obtained a bachelor's degree in finance from Shanghai University (上海大學) in the PRC in July 2008 and an executive master of business administration (EMBA) degree from Fudan University (復旦大學) in the PRC in June 2024. She has been admitted as a member of the Chinese Certified Public Accountants certified by the Shanghai Institute of Certified Public Accountants (上海註冊會計師協會) since September 2017.

Non-executive Directors

Ms. Lin Chia-Ling (林佳陵), aged 40, was appointed as a non-executive Director in January 2025. She is primarily responsible for participating in major decisions on our Group's operations and development.

Ms. Lin currently holds director, supervisor and senior management positions in the following companies including director and chairman of board of directors of BioEngine Technology Development Inc. (玉晟管理顧問股份有限公司) since June 2018 and October 2023, respectively; director of Glac Biotech Co., Ltd. (豐華生物科技股份有限公司) since July 2024; director of Lumosa Therapeutics Co., Ltd. (順天醫藥生技股份有限公司) (TWO: 6535) since May 2024; director and manager of organizational development and human resources department at Center Laboratories, Inc. (晟德大藥廠股份有限公司) (TWO: 4123) since June 2016 and January, 2023, respectively; director of Cytoengine Co., Ltd. (顥晟生醫股份有限公司) since January 2023; supervisor of LeJean Biotech Co., Ltd. (儷榮科技股份有限公司) since September 2011; supervisor of Jason Technology Co., Ltd. (佳軒科技股份有限公司) since November 2011; and supervisor of Royal Foods Co., Ltd (歐室食品股份有限公司) since November 2011.

Ms. Lin obtained a bachelor's degree in economics from McMaster University in Canada in June 2008.

Mr. Diao Juanhuan (刁雋桓), aged 53, was appointed as a Director in August 2022 and was re-designated as a non-executive Director in January 2025. He is primarily responsible for participating in major decisions on our Group's operations and development.

Mr. Diao has extensive experience in finance and investment management. He has been serving as a partner at Shenzhen Oriental Fortune Capital Co., Ltd. (深圳市東方富海投資管理股份有限公司) since January 2008.

From December 1996 to December 1998, Mr. Diao served as the general manager at the securities trade business department of Jun'an Securities Co., Ltd., Lanzhou Longxi Road Securities Trading Branch (君安證券股份有限公司蘭州隴西路證券交易營業部) (currently known as Guotai Junan Securities Co., Ltd. (國泰君安證券股份有限公司) (HKEX: 2611; SSE: 601211), being responsible for various securities trade assignments and overseeing the operation of the branch. He then served as the general manager at Shenzhen Aofan Investment Co., Ltd. (深圳市翱帆投資股份有限公司) from August 1999 to November 2002. From December 2002 to December 2007, Mr. Diao successively worked at Shenzhen Jiuyi Investment Co., Ltd. (深圳市九夷投資有限責任公司) and China Guangfa Bank Co., Ltd., Shenzhen Branch (廣發銀行股份有限公司深圳分行).

Mr. Diao currently is a non-executive director of the following companies: Baiwang Co., Ltd. (百望股份有限公司) (HKEX: 6657) since January 2020; Shenzhen Hua'ao Data Technology Co., Ltd. (深圳市華傲資料技術有限公司) since January 2020; and Ningbo Hicon Industry Co., Ltd. (寧波惠康實業有限公司) since June 2011. Mr. Diao also serves as a director of Jingjing Pharmaceutical Co., Ltd. (精晶藥業股份有限公司) (NEEQ: 835033) since June 2011.

Mr. Diao obtained a bachelor's degree in international trade from Shenzhen University (深圳大學) in the PRC in July 1995, and an executive master of business administration (EMBA) degree from Cheung Kong Graduate School of Business (長江商學院) in the PRC in September 2011.

Mr. Li Chen, aged 43, was appointed as a Director in July 2024 and was re-designated as a non-executive Director in January 2025. He is primarily responsible for participating in major decisions on our Group's operations and development.

From June 2010 to September 2015, Mr. Li successively served as a senior associate and vice president of investment banking division at CITIC Securities Company Limited (中信證券股份有限公司) (SHSE: 600030; HKEX: 6030). Mr. Li also successively served as a vice president and director of the investment banking division at Lazard Frères & Co. (Lazard商務諮詢(北京)有限責任公司) (currently known as Lazard Inc.) from February 2016 to September 2018. From October 2018 to December 2021, he served as the managing director at Shanghai Pharmaceuticals (HK) Investment Limited (上海醫藥(香港)投資有限公司). Since January 2022, Mr. Li has been serving as executive director and managing director at Shanghai Biopharmaceutical Industry Equity Investment Fund Management Co., Ltd. (上海生物醫藥產業股權投資基金管理股份有限公司).

Mr. Li has been serving as a non-executive director in the following companies including Shanghai Huiyong Pharmaceutical Research Co., Ltd. (上海惠永藥物研究有限公司) since January 2021; Hugobiotech Limited since March 2022, Shanghai PSI and Light Genomics Technology Co., Ltd. (上海譜希和光基因科技有限公司) since August 2022; and ReLive Biotechnologies, Ltd. since January 2023.

Mr. Li obtained a bachelor's degree in business administration from University of Washington in May 2004 in the United States and a Juris Doctor degree from Loyola Law School in the United States in May 2009. Mr. Li was admitted to the California State Bar in January 2010.

Independent Non-executive Directors

Mr. Cai Zhongxi (蔡仲曦), aged 59, was appointed as a Director in July 2024 and was re-designated as an independent non-executive Director in January 2025. He is responsible for supervising and offering independent judgement to the Board.

Mr. Cai worked in the sales department of Shenzhen Southern Pharmaceutical Factory (深圳南方製藥廠) (currently known as San Jiu Enterprise Group (三九企業集團)) from May 1991 to February 1993. From August 1995 to December 2005, Mr. Cai held various positions at several subsidiaries of China National Medicines Corporation Ltd. (國藥集團藥業股份有限公司) (SHSE: 600511), including deputy general manager and general manager. Mr. Cai then served as chairman of Shanghai Shengtai Medical Technology Co., Ltd. (上海盛泰醫療科技有限公司) (currently known as Sinopharm Group Med-Tech Co., Ltd. (國藥控股醫療器械有限公司)) from July 2006 to May 2010, followed by the position of deputy general manager at

Sinopharm Holding Co., Ltd. (國藥控股股份有限公司) (HKEX: 1099) from July 2010 to June 2017. He also served as independent director of Guangdong Taiantang Pharmaceutical Co., Ltd. (廣東太安堂藥業股份有限公司) from January 2023 to July 2024, which was delisted from the Shenzhen Stock Exchange on July 5, 2024.

Mr. Cai serves as a partner at Hongsheng (Zhejiang Free Trade Zone) Equity Investment Fund Management Partnership Enterprise (Limited Partnership) (弘盛(浙江自貿區)股權投資基金管理合夥企業(有限合夥)) since September 2017, the chairman and founding partner at Shanghai Hongsheng Junhao Equity Investment Fund Management Co., Ltd. (上海弘盛君浩股權投資基金管理有限公司) since September 2020, and an independent director at C.Q. Pharmaceutical Holding Co., Ltd. (重藥控股股份有限公司) (SZSE: 000950) since November 2023.

Mr. Cai obtained a bachelor's degree in military medicine from Naval Medical University (中國人民解放軍海軍軍醫大學) (formerly known as the Second Military Medical University (第二軍醫大學)) in the PRC in July 1989 and a master of business administration (MBA) degree from China Europe International Business School (中歐國際工商學院) in the PRC in September 2014.

Dr. Zeng Fanyi (曾凡一), aged 57, was appointed as a Director in July 2024 and was re-designated as an independent non-executive Director in January 2025. She is responsible for supervising and offering independent judgement to the Board.

From July 2005 to December 2006, Dr. Zeng served as deputy researcher and assistant to the director at the Institute of Medical Genetics, Shanghai Jiao Tong University (上海交通大學) and further served as a researcher, doctoral supervisor, and deputy director from December 2006 to January 2015. From October 2007 to October 2017, she also served as the director and doctoral supervisor at the Laboratory of Developmental Biology, School of Medicine, Shanghai Jiao Tong University (上海交通大學).

Dr. Zeng is a senior researcher, executive director and general manager at Shanghai Fanyi Biotechnology Co., Ltd. (上海凡翼生物科技有限公司) since March 2012, and an executive director and chief financial officer at Shanghai Fanyi Biotechnology Co., Ltd. (上海凡奕生物科技有限公司) since August 2011. She is also a director of Maxmed Biotechnology Corporation since October 2024.

Dr. Zeng obtained a bachelor's degree in biochemistry and cell biology the University of California San Diego in the United States in June 1991, and a dual doctoral degree (M.D.& Ph.D.) in medicine and science from the University of Pennsylvania in the United States in May 2005. Dr. Zeng also obtained a doctoral degree in finance from Chinese Academy of Social Sciences (中國社會科學院) in the PRC in October 2014. In addition, Dr. Zeng obtained a master's degree in engineering management from the University of Illinois Chicago in the United States in May 2014 and a master's degree in public administration from the University of Nebraska Omaha in the United States in May 2015.

Dr. Zeng was awarded with Second Prize of State Natural Science Award (國家自然科學獎二等獎) by the State Council of the PRC in January 2015 and First Prize of Natural Science Award (自然科學獎一等獎) by the Ministry of Education of the PRC in January 2008. Since November 2018, Dr. Zeng has been serving as executive director of Genetics Society of China (中國遺傳協會) and chairman of the Human and Medical Genetics Committee (人類與醫學遺傳專委會). Dr. Zeng is a recipient of the State Council Special Allowance (國務院特殊津貼).

Dr. Ju Dianwen (鞠佃文), aged 56, was appointed as an independent Director in July 2024 and was re-designated as an independent non-executive Director in January 2025. He is responsible for supervising and offering independent judgement to the Board.

Dr. Ju has extensive experience in medical research, biotechnology, and academia. Prior to joining our Group, Dr. Ju successively served as teaching assistant and lecturer in the Department of Medical Immunology at Naval Medical University (中國人民解放軍海軍軍醫大學) (formerly known as the Second Military Medical University (第二軍醫大學)) from September 1994 to August 2002. He then served as deputy general manager at Shanghai MediPharm Biotech Co., Ltd. (上海美恩生物技術有限公司) from August 2002 to January 2011. Since January 2011, Dr. Ju has been serving as principal investigator of Department of Biomedicines, School of Pharmacy, Fudan University (復旦大學). He has been serving a scientific advisor at Novatim Immune Therapeutics (Zhejiang) Co., Ltd. (科弈(浙江)藥業科技有限公司) since October 2019.

Dr. Ju has been serving as an independent director at Suzhou Wangshan Wangshui Biopharmaceutical Co., Ltd. (蘇州旺山旺水生物醫藥股份有限公司) since March 2023. He has also been serving as a director at Shanghai Xingshen Biotechnology Co., ltd (上海行深生物科技有限公司) (currently known as Xingshen Biotechnology (Hangzhou) Co., Ltd. (行深生物科技(杭州)有限公司)) since April 2020 and Shanghai Xinze Venture Capital Management Co., Ltd. (上海莘澤創業投資管理股份有限公司) since December 2019. He is a supervisor at Shanghai Dongci Biotechnology Co., Ltd. (上海東慈生物科技有限公司) since March 2019. He served as an independent director at Shanghai Baolong Pharmaceutical Co., Ltd. (上海寶龍藥業股份有限公司) from March 2020 to December 2024.

Dr. Ju obtained a bachelor's degree in pharmacy, a master's degree in pharmacology, and a doctoral degree in medical immunology from Naval Medical University (中國人民解放軍海軍軍醫大學) (formerly known as the Second Military Medical University (第二軍醫大學)) in the PRC in July 1991, July 1994, and July 1999, respectively. In December 2014, Dr. Ju was awarded the Second Prize of National Science and Technology Progress Award (國家科學技術進步二等獎) by the Ministry of Science and Technology of the PRC (中華人民共和國科學技術部). Dr. Ju has been serving as a committee member of the Biochemistry and Biotechnology Pharmaceuticals Committee of Shanghai Pharmaceutical Association (上海藥學會生化與生物技術藥物委員會) since August 2020, and a committee member of the Fourth Monoclonal Antibody Professional Committee of China Medical Biotech Association (中國生物醫藥技術協會第四屆單克隆抗體專業委員會) since October 2021.

Mr. Zhang Senquan (張森泉), aged 48, was appointed as an independent non-executive Director in January 2025. He is responsible for supervising and offering independent judgement to the Board.

Mr. Zhang has more than 20 years of experience in accounting, auditing and management. From October 1999 to October 2000, he was an auditor in the audit department of Deloitte Touche Tohmatsu CPA Ltd. (德勤華永會計師事務所). From November 2000 to February 2008, he worked at KPMG Huazhen (畢馬威華振會計師事務所) with last position as an audit senior manager. From February 2008 to November 2012, Mr. Zhang worked in the assurance department of Ernst & Young Hua Ming (安永華明會計師事務所) with last position as a partner. From March 2013 to April 2014, Mr. Zhang served as the head of the strategic development department of Goodbaby International Holdings Limited (好孩子國際控股有限公司) (HKEX: 1086). From May 2014 to July 2015, he served as a joint company secretary and the chief financial officer of Huazhong Holdings Company Limited (華眾控股有限公司) (currently known as Huazhong In-Vehicle Holdings Company Limited (華眾車載控股有限公司) (HKEX: 6830)). From February 2016 to March 2020, he held various positions in Southwest Securities International Securities Limited (西證國際證券股份有限公司) (HKEX: 0812), including as the head of China business department and managing director. From May 2018 to July 2024, he was the chief executive officer of Zhong Rui Capital (Hong Kong) Limited (中瑞資本(香港)有限公司). Mr. Zhang also served as an independent director in the following companies: Jiangsu Aidea Pharmaceutical Co., Ltd. (江蘇艾迪藥業股份有限公司) (SHSE: 688488) from May 2019 to March 2022; Sang Hing Holdings (International) Ltd. (生興控股(國際)有限公司) (HKEX: 1472) from January 2020 to April 2023; and Jiande International Holdings Limited (建德國際控股有限公司) (HKEX: 0865) from October 2016 to December 2024.

Currently, Mr. Zhang is the audit principal at Nortex (HK) CPA Limited (諾德(香港)會計師事務所有限公司) since March 2022. He has also been serving as company secretary at Guanze Medical Information Industry (Holding) Co., Ltd. (HKEX: 2427) since September 2021 and China General Education Group Limited (中國通才教育集團有限公司) (HKEX: 2175) since October 2020. He is an independent non-executive director in the following companies: Chenqi Technology Limited (如祺出行) (HKEX: 9680) since June 2024; TYK Medicines, Inc. (浙江同源康醫藥股份有限公司) (HKEX: 2410) since January 2024; Strawbear Entertainment Group (稻草熊娛樂集團) (HKEX: 2125) since December 2020; and Natural Food International Holding Limited (五穀磨房食品國際控股有限公司) (HKEX: 1837) since November 2018. He is a director of Yafan Education Consulting (Shenzhen) Co., Ltd. (雅凡教育諮詢(深圳)有限公司) since January 2025.

Mr. Zhang obtained a bachelor's degree in investment economics from Fudan University (復旦大學) in the PRC in July 1999. Mr. Zhang has been admitted as a member of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) since December 2001, a member of the Hong Kong Institute of Certified Public Accountants since September 2011 and further admitted as a member of the American Institute of Certified Public Accountants since September 2015.

Some of our Directors were appointed as a director or a member of senior management of certain companies that had been dissolved due to cessation of business. Each of such Directors confirms that, to the best of his or her knowledge, (i) the aforesaid companies were solvent immediately prior to their dissolution, (ii) there was no wrongful act on his or her part leading to the dissolution, and (iii) the Director is not aware of any actual or potential claim that has been or will be made against him or her as a result of the dissolution.

SUPERVISORS

Our Supervisory Committee consists of three members. Our Supervisors serve a term of three years and may be re-elected for successive reappointments. The following table sets forth the key information about our Supervisors.

Name	Age	Position	Responsibilities	Date of appointment as a Supervisor	Date of joining the Group
Mr. Lou Junwen (樓俊文) . . .	40	Chairman of the Supervisory Committee	Supervising the performance of our Board and operational and financial activities of our Group	January 2025	December 2019
Mr. Cheng Yu (成裕).	36	Supervisor	Supervising the performance of our Board and operational and financial activities of our Group	July 2023	September 2020
Ms. Cai Qingqing (蔡清清) . . .	35	Supervisor	Supervising the performance of our Board and operational and financial activities of our Group	July 2023	June 2021

Mr. Lou Junwen (樓俊文), aged 40, has been serving as the Chairman of our Supervisory Committee since January 2025 and is responsible for the overseeing our operational and financial activities. Mr. Lou has also been serving as the director of project management of our Company since December 2019.

Prior to joining our Group, Mr. Lou served as purification technologist at Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. (上海復旦張江生物醫藥股份有限公司) (HKEX: 1349) from August 2010 to August 2013. He then served as project manager at Suzhou Kangju from August 2013 to July 2014. From July 2014 to December 2019, he served as project department manager at Suzhou Centergene.

Mr. Lou obtained a bachelor's degree in applied chemistry from Shanghai University (上海大學) in the PRC in July 2007. Mr. Lou also passed the Engineering Series Intermediate Professional and Technical Position Qualification of Shanghai Pharmaceuticals Holding Co., Ltd. (上海醫藥(集團)有限公司工程系列中級專業技術職務任職資格) in September 2014 and was granted an intermediate professional title (中級職稱) and recognized as an engineer.

Mr. Cheng Yu (成裕), aged 36, has served as our supervisor since July 2023 and is responsible for supervising the performance of our Board and operational and financial activities of our Group.

Since January 2022, Mr. Cheng has been serving as production director of our Company with extensive experience in biopharmaceutical manufacturing and production management. He has also served as manager at Suzhou Centergene from October 2014 to December 2021. Previously, Mr. Cheng served as purification supervisor at Suzhou Kangju from June 2013 to September 2014, and technical supporter at Suzhou Alpha Biological Experimental Devices and Materials Co., Ltd. (蘇州阿爾法生物實驗器材有限公司) from July 2011 to May 2013.

Mr. Cheng obtained a bachelor's degree in biopharmaceuticals (biotechnology) from Soochow University (蘇州大學) in the PRC in June 2011. Mr. Cheng has been admitted as a certified pharmacist by Jiangsu Provincial Department of Human Resources and Social Security (江蘇省人力資源和社會保障廳) in October 2016. In March 2022, he was selected as the 2021 Gusu Key Industry Talent Program (姑蘇重點產業緊缺人才計畫) by Suzhou Municipal Human Resources and Social Security Bureau (蘇州市人力資源和社會保障局).

Ms. Cai Qingqing (蔡清清), aged 35, has served as our supervisor since July 2023 and is responsible for supervising the performance of our Board and operational and financial activities of our Group.

Since June 2021, Ms. Cai has been serving as director of the general manager office of our Company and is responsible for assisting executive duties and managing human resources administration work. Prior to joining our Group, Ms. Cai served as assistant to deputy general manager of the general manager office at Merry Electronics (Suzhou) Co., Ltd. (美特科技(蘇州)有限公司) from August 2007 to June 2021.

Ms. Cai obtained her bachelor's degree in human resources management from Soochow University (蘇州大學) in the PRC in January 2023.

SENIOR MANAGEMENT

The senior management consists of five members who are responsible for our day-to-day management and operation. The following table sets forth the key information about the senior management of the Company.

Name	Age	Position	Responsibilities	Date of appointment as senior management	Date of joining the Group
Dr. Liu Yanjun (劉彥君)	59	Co-founder, chairman of our Board and executive Director	Responsible for the overall strategic planning and making key business and operational decisions of our Group	December 2019	December 2019
Ms. Wang Zheng (王徵)	48	Co-founder, executive Director and Chief Executive Officer	Responsible for the business operations, R&D and overall operation management of our Group	September 2020	September 2020
Mr. Tan Jingwei (譚靖偉)	58	Executive Director and director of internal control	Responsible for the formulation of internal control policies and overseeing internal control work of our Group	February 2021	September 2020
Ms. Li Cui (李翠)	37	Executive Director, Chief Financial Officer and secretary to the Board	Responsible for overseeing financial management, corporate governance, investor relations, and capital markets activities of our Group	December 2021	December 2021
Mr. Sun Yuhua (孫玉華)	43	Deputy general manager	Responsible for overseeing manufacturing operations, EHS, and IT management of our Group	September 2020	September 2020

For the biographical details of Dr. Liu Yanjun, Ms. Wang Zheng, Mr. Tan Jingwei and Ms. Li Cui, see "— Directors" in this section.

Mr. Sun Yuhua (孫玉華), aged 43, has served as our deputy general manager since September 2020 and is responsible for overseeing manufacturing operations, EHS, and IT management of our Group. He also served as manager at Suzhou Kangju from April 2014 to November 2020. He then has been serving as supervisor of Hainan Baoji since February 2022.

Prior to joining our Group, Mr. Sun successively served as project supervisor and deputy director at Huake Biological Polymer Materials Institute of Kunshan Industrial Technology Research Institute (昆山工研院華科生物高分子材料研究所) from May 2007 to April 2014, where he was responsible for research project management and operations.

Mr. Sun obtained a bachelor's degree in marine technology (food engineering) from Yancheng Institute of Technology (鹽城工學院) in the PRC in June 2004 and a master's degree in fermentation engineering from Tianjin University of Science and Technology (天津科技大學) in the PRC in March 2007. Mr. Sun has received numerous accolades, including being named as the Outstanding Talent of Kunshan City (昆山市優秀人才) in January 2013, Technical Expert of Suzhou Industrial Park (蘇州工業園區技術能手) in July 2016, and High-Skilled Leading Talent (高技能領軍人才) under the Jinji Lake Talent Program of Suzhou Industrial Park (蘇州工業園區金鷄湖雙百人才計劃) in December 2016. In April 2024, as a member of our innovative drug research team, he was recognized as a member of the Outstanding Talent Team of Sanjiang Talents (三江英才優秀人才團隊) in Baoshan District, Shanghai. He currently serves as a committee member of the Forth Labor Union Committee of Luodian Town, Baoshan District (寶山區羅店鎮總工會第四屆委員會), and as vice president of Shanghai Baoshan District Science and Technology Enterprise Association (上海市寶山區科技企業聯合會).

GENERAL

As of the Latest Practicable Date, to the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries,

(i) save as disclosed above, none of the Directors, Supervisors or members of the senior management has held any directorship in any public company the securities of which are listed on any securities market in Hong Kong or overseas during the three years immediately preceding the date of this document;

(ii) none of the Directors, Supervisors or members of the senior management of the Company was related to any other Directors, Supervisors and members of the senior management;

(iii) save as disclosed in "Appendix VII — Statutory and General Information" to this document, none of the Directors, Supervisors or general manager of the Company held any interest in the Shares which would be required to be disclosed pursuant to Part XV of the Securities and Futures Ordinance; and

(iv) save as disclosed in this document, there was no additional matter with respect to the appointment of the Directors or Supervisors that needs to be brought to the attention of the Shareholders, and there was no additional information relating to the Directors or Supervisors that is required to be disclosed pursuant to Rules 13.51(2) of the Listing Rules as of the Latest Practicable Date.

CONFIRMATION FROM OUR DIRECTORS

Rule 8.10 of the Listing Rules

As of the Latest Practicable Date, none of our Directors and their respective close associates had any interest in any business which competes or is likely to compete, either directly or indirectly with our Group's business which would require disclosure under Rule 8.10 of the Listing Rules.

From time to time our non-executive Directors may serve on the boards of both private and public companies within the broader healthcare and biopharmaceutical industries. However, as these non-executive Directors are not members of our executive management team, we do not believe that their interests in such companies as directors would render us incapable of carrying on our business independently from the other companies in which these non-executive Directors may hold directorships from time to time.

Rule 3.09D of the Listing Rules

Each of our Directors confirmed that he or she (i) had obtained the legal advice referred to under Rule 3.09D of the Listing Rules on January 7, 2025, and (ii) understood his or her obligations as a director of a [**REDACTED**] under the Listing Rules.

Rule 3.13 of the Listing Rules

Each of our independent non-executive Directors had confirmed (i) his or her independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules; (ii) that he or she had no past or present financial or other interest in the business of the Company or its subsidiary 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 were no other factors that may affect his or her independence at the time of his or her appointments. Each of our independent non-executive Directors will inform us and the Stock Exchange as soon as practicable if there is any subsequent change of circumstances which may affect his or her independence.

JOINT COMPANY SECRETARIES

Ms. Li Cui (李翠), was appointed as a joint company secretary of our Company on January 21, 2025. She is primarily responsible for overseeing financial management, corporate governance, investor relations, and capital markets activities of our Group. For the biographical details of Ms. Li, see "— Directors — Executive Directors" in this section.

Ms. Fong Christine Haiman (方希琳), was appointed as a joint company secretary of our Company on January 21, 2025. Ms. Fong is currently a manager of company secretarial services of Tricor Services Limited, a member of Vistra Group and an integrated provider offering business, corporate and investor services. She has over seven years of experience in the corporate services field and has been providing professional corporate services to Hong Kong listed companies as well as private and offshore companies.

Ms. Fong is a Chartered Secretary, a Chartered Governance Professional and an associate of both the Hong Kong Chartered Governance Institute (HKCGI) and the Chartered Governance Institute (CGI) in United Kingdom.

Ms. Fong obtained a bachelor's degree in law from Queensland University of Technology in Australia in December 2016 and a master's degree in corporate governance from the Hong Kong Polytechnic University in September 2022.

BOARD COMMITTEES

We have established four Board Committees in accordance with the relevant PRC laws and regulations, the Articles of Association, the Corporate Governance Code and based on our business needs, namely the Audit Committee, the Nomination Committee, the Remuneration Committee and the Strategy Committee.

Audit Committee

We have established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code. The Audit Committee consists of three Directors, namely Mr. Zhang Senquan, Dr. Ju Dianwen and Mr. Diao Juanhuan, with Mr. Zhang Senquan serves as the chairperson. Mr. Zhang Senquan has the appropriate professional experiences as required under Rules 3.10(2) and 3.21 of the Listing Rules. The primary duties of the Audit Committee include, but are not limited to, the following:

(i) proposing the appointment or change of external auditors to our Board, monitoring the independence of external auditors and evaluating their performance;

(ii) examining the financial information of the Company and reviewing financial reports and statements of the Company;

(iii) examining the financial reporting system, the risk management and internal control system of the Company, overseeing their rationality, efficiency and implementation and making recommendations to our Board; and

(iv) dealing with other matters that are authorized by the Board.

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. The Nomination Committee consists of three Directors, namely Dr. Liu, Dr. Zeng Fanyi and Mr. Cai Zhongxi, with Dr. Liu serves as the chairperson. The primary duties of the Nomination Committee include, but are not limited to, the following:

(i) conducting extensive search and providing our Board with suitable candidates for our Directors, general managers and other members of the senior management;

(ii) reviewing the structure, size and composition of our Board (including but not limited to, gender, age, cultural and educational background, ethnicity, skills, knowledge and experience) at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(iii) researching and developing standards and procedures for the election of our Board members, general managers and members of the senior management, and making recommendations to our Board;

(iv) assessing the independence of the independent non-executive Directors; and

(v) dealing with other matters that are authorized by the Board.

Remuneration Committee

We have established a Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code. The Remuneration Committee consists of three Directors, namely Ms. Wang, Dr. Ju Dianwen and Mr. Zhang Senquan, with Dr. Ju Dianwen serves as the chairperson. The primary duties of the Remuneration Committee include, but are not limited to, the following:

(i) advising our Board on the overall remuneration plan and structure of our Directors and senior management and the establishment of transparent and formal procedures for determining the remuneration policy of the Company;

(ii) monitoring the implementation of the remuneration system of the Company;

(iii) making recommendations on the remuneration packages of our Directors and senior management; and

(iv) dealing with other matters that are authorized by the Board.

Strategy Committee

We have established a Strategy Committee with written terms of reference. The Strategy Committee consists of five Directors, namely Dr. Liu, Ms. Li Cui, Ms. Lin Chia-ling, Mr. Li Chen and Mr. Cai Zhongxi, with Dr. Liu serves as the chairperson. The primary duties of the Strategy Committee are, among others, to consider, review and make recommendation on the Company's long-term development strategies and other material matters that might impact our development, and perform other duties and responsibilities as assigned by our Board.

KEY TERMS OF EMPLOYMENT CONTRACT

We normally enter into (i) an employment contract, (ii) a non-competition agreement, (iii) a confidentiality agreement and (iv) an intellectual property agreement with certain of our senior management members. The key terms of such contracts are set forth below.

Terms

We normally enter into employment contract of three-year or longer with our senior management members.

Non-competition

The non-competition obligations shall subsist throughout the employee's period of employment and up to two years after termination of employment. During the non-competition period, the employee shall not, directly or indirectly, accept employment or hold any position, including but not limited to shareholders, partners, directors, supervisors, employees, agents, consultants, etc., of any other natural person, legal entity or other economic organization that produces or operates the same, similar or competing products, or engages in the same, similar or competing business, with our Company.

Confidentiality

Trade secrets: The employee shall keep trade secrets, namely business-related information or technology-related information (including but not limited to operational information, marketing proposal, purchases information, pricing policy, financial information, list of customers, business plan, information of research and development etc.) of our Company in confidence.

Obligation and duration: The employee shall not divulge or otherwise disclose any trade secrets to any third party or permit others to use our trade secrets, disclose our trade secrets to irrelevant staffs within our Company, use the trade secrets for his/her or third party's benefits, or duplicate documents or copies of documents that contain our trade secrets. Such obligation of confidentiality shall subsist for the term of his or her employment and regardless of the reason of departure, the employee shall return all materials containing trade secrets to our Company or destruct them under Company's supervision.

Intellectual Property Rights

The ownership of intellectual endeavor, encompassing but not limited to patent rights, rights to patent applications, trademark rights, rights to trademark registration applications, and copyrights generated by the employee during the period of employment, shall exclusively vest in the Company. Employees shall retain the right of authorship.

CORPORATE GOVERNANCE CODE

The Company is committed to achieving a high standard of corporate governance with a view to safeguarding the interests of our Shareholders. To accomplish this, the Company intends to comply with the Corporate Governance Code set out in Appendix C1 to the Listing Rules and the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules after the [**REDACTED**].

BOARD DIVERSITY POLICY

We have adopted the board diversity policy which sets out the objective and approach for achieving and maintaining the diversity of the Board in order to enhance its effectiveness. In accordance with the board diversity policy, the Company seeks to achieve board diversity by taking into account a number of factors, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and/or length of service. The ultimate selection of Board candidates will be based on merit and potential contribution to our Board having due regard to the benefits of diversity on the Board and also the specific needs of the Company without focusing on a single diversity aspect. Our Directors have a balanced mix of knowledge and skills, including overall management and strategic development as well as knowledge and experience in areas such as medicine and pharmaceutical research. They obtained degrees in various areas including, among others, medicine, microbiology, pharmacy, bioengineering, international trade, business administration, and economics. Furthermore, our Board has a diverse age and gender representation. Our Board currently comprises four female Directors and seven male Directors, ranging from 38 years old to 59 years old.

With regards to gender diversity on the Board, we recognize the particular importance of gender diversity. We have taken and will continue to take steps to promote and enhance gender diversity at all levels of the Company, including but without limitation at our Board and senior management levels. We will maintain a focus on gender diversity when recruiting staff at the

mid to senior level so as to develop a pipeline of potential female successors to our Board. The Group will also identify and select several female individuals with a diverse range of skills, experience and knowledge in different fields from time to time, and maintain a list of such female individuals who possess qualities to become our Board members, which will be reviewed by our nomination committee periodically to maintain gender diversity of our Board. Taking into account our existing business model and specific needs as well as the different background of our Directors, the composition of our Board satisfies our board diversity policy.

Upon the [**REDACTED**], the Nomination Committee will from time to time discuss and agree on expected goals to ensure board diversity, and review and, where necessary, update the board diversity policy to ensure that the policy remains effective. The Company will disclose the biographical details of each Director and report on the implementation of the board diversity policy (including whether we have achieved board diversity) in its annual corporate governance report.

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S REMUNERATION AND REMUNERATION OF THE FIVE HIGHEST-PAID INDIVIDUALS

The Directors, Supervisors and senior management members who receive remuneration from the Company are paid in the forms of salaries, bonuses, allowances and benefits in kind, equity-settled share award expense and pension scheme contributions. Our independent non-executive Directors receive compensation based on their responsibilities. The remuneration of the Directors, Supervisors and senior management members is determined with reference to the remuneration paid by comparable companies and the achievement of major operating indicators of the Company.

The aggregate amount of remuneration (including salaries, bonuses, allowances and benefits in kind, equity-settled share award expense and pension scheme contributions) paid to the Directors and Supervisors for the year ended December 31, 2023 and the nine months ended September 30, 2024 amounted to RMB4.9 million and RMB77.5 million, respectively.

The five highest paid individuals of our Group in the year ended December 31, 2023 and the nine months ended September 30, 2024 included two and three Directors, respectively. The aggregate amount of remuneration (including salaries, bonuses, allowances and benefits in kind, equity-settled share award expense and pension scheme contributions) incurred by the five highest-paid individuals of the Group (excluding Directors) for the year ended December 31, 2023 and the nine months ended September 30, 2024 amounted to RMB2.9 million and RMB11.8 million, respectively.

Under the current compensation arrangement, we estimate the total compensation before taxation, including estimated share-based compensation, to be accrued to our Directors and our Supervisors for the year ended December 31, 2025 to be approximately RMB79.9 million. The actual remuneration of Directors and Supervisors in 2025 may be different from the expected remuneration.

We confirmed that during the Track Record Period, no remuneration was paid by the Company to, or receivable by, our Directors, Supervisors or the five highest paid individuals as an inducement to join or upon joining the Company or as compensation for loss of office in connection with the management positions of the Company or any subsidiary of the Company.

During the Track Record Period, none of our Directors or Supervisors waived any remuneration. Save as disclosed above, no other payments have been paid, or are payable, by the Company or our subsidiary to our Directors, Supervisors or the five highest-paid individuals during the Track Record Period.

COMPLIANCE ADVISER

The Company has appointed Rainbow Capital (HK) Limited as our Compliance Adviser in compliance with Rules 3A.19 of the Listing Rules. The Compliance Adviser will provide us with guidance and advice as to compliance with the Listing Rules and other applicable laws, rules, codes and guidelines. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Adviser will advise the Company in certain circumstances including:

(i) before the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues, sales or transfers of treasury shares and share repurchases;

(iii) where we propose to use the [**REDACTED**] from the [**REDACTED**] in a manner different from that detailed in this document or where our business activities, developments or results deviate from any forecast, estimate or other information in this document; and

(iv) where the Stock Exchange makes an inquiry to the Company in accordance with Rule 13.10 of the Listing Rules.

Pursuant to Rule 3A.24 of the Listing Rules, the Compliance Adviser will, on a timely basis, inform the Company of any amendment or supplement to the Listing Rules that are announced by the Stock Exchange. The Compliance Adviser will also inform the Company of any new or amended law, regulation or code in Hong Kong applicable to us, and advise us on the continuing requirements under the Listing Rules and applicable laws and regulations.

The term of the appointment will commence on the [**REDACTED**] and is expected to end on the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the [**REDACTED**].

FUTURE PLANS

For details of our future plans, see "Business — Our Strategies."

USE OF [REDACTED]

We estimate that we will receive net [**REDACTED**] from the [**REDACTED**] of approximately HK$[**REDACTED**] million, after deducting [**REDACTED**], fees and other estimated expenses paid and payable by us in connection with the [**REDACTED**], and assuming that the [**REDACTED**] is not exercised and an [**REDACTED**] of HK$[**REDACTED**] per H Share, being the mid-point of the [**REDACTED**] of HK$[**REDACTED**] to HK$[**REDACTED**] per H Share.

We currently intend to use the net [**REDACTED**] from the [**REDACTED**] for the following purposes, subject to changes in light of our evolving business needs and changing market conditions:

- Approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be allocated to the research and development and commercialization of our Core Products, including KJ017, KJ103 and SJ02, of which:
  - Approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be used for the planned clinical trials and preparation for registration filings of KJ017 in Europe and certain other jurisdictions. For details of KJ017's clinical development plan, see "Business — Our Drug Candidates — Large-volume Subcutaneous Delivery — KJ017 — a recombinant human hyaluronidase, our Core Product — Clinical Development Plan;"
  - Approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be used for the ongoing and planned clinical trials, other research and development activities, and preparation for registration filings of KJ103 in China, the U.S. and certain other jurisdictions, of which:
    - [**REDACTED**]%, or HK$[**REDACTED**] million, will be used to fund the ongoing clinical trial for desensitization therapy in highly HLA-sensitized patients awaiting kidney transplantation;
    - [**REDACTED**]%, or HK$[**REDACTED**] million, will be used to fund the ongoing and planned clinical trials for anti-GBM disease; and
    - [**REDACTED**]%, or HK$[**REDACTED**] million, will be used to fund the planned clinical trials for other antibody-mediated acute autoimmune conditions, such as GBS.

      For details of KJ103's clinical development plan, see "Business — Our Drug Candidates — Antibody-mediated Autoimmune Conditions — KJ103 — a recombinant IgG-degrading enzyme, our Core Product — Clinical Development Plan."

  - Approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be used for the planned multicenter clinical trials and preparation for registration filings of SJ02 in Europe and certain other jurisdictions. For details of SJ02's clinical development plan, see "Business — Our Drug Candidates — Drugs in Assisted Reproduction — SJ02 — a long-acting recombinant human FSH-CTP, our Core Product — Clinical Development Plan"; and

  - Approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be used for the anticipated commercialization of our Core Products, including KJ017, KJ103 and SJ02.

- Approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be allocated to the advancement of our other existing pipeline assets and preparation for any related registration filings.

- Approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be allocated to the continued optimization of our proprietary synthetic biology technology platforms, as well as exploration and development of new drug candidates.

- Approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be used to enhance and scale up our manufacturing capabilities. We plan to consistently upgrade and maintain our production facilities, meanwhile enhancing internal manufacturing processes, so as to elevate production capacity and efficiency for our selected drug candidates.

- Approximately [**REDACTED**]% or HK$[**REDACTED**] million, will be used for working capital and general corporate purposes.

The above allocation of the net [**REDACTED**] from the [**REDACTED**] will be adjusted on a *pro rata* basis in the event that the [**REDACTED**] is fixed at a higher or lower level compared to the mid-point of the [**REDACTED**] stated in this document. If the [**REDACTED**] is set at HK$[**REDACTED**] per H Share, being the high end of the [**REDACTED**], the net [**REDACTED**] from the [**REDACTED**] will increase by approximately HK$[**REDACTED**] million. If the [**REDACTED**] is set at HK$[**REDACTED**] per H Share, being the low end of the [**REDACTED**], the net [**REDACTED**] from the [**REDACTED**] will decrease by approximately HK$[**REDACTED**] million.

If the [**REDACTED**] is exercised in full, the net [**REDACTED**] that we will receive will be approximately HK$[**REDACTED**] million, assuming an [**REDACTED**] of HK$[**REDACTED**] per H Share (being the mid-point of the [**REDACTED**]). In the event that the [**REDACTED**] is exercised in full, we intent to apply the additional net [**REDACTED**] to the above purposes in the proportions stated above.

To the extent that the net [**REDACTED**] from the [**REDACTED**] are not immediately applied to the above purposes and to the extent permitted by relevant law and regulations, so long as it is deemed to be in the best interests of our Group, we may hold such funds in short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions (as defined under the SFO or applicable laws and regulations in other jurisdictions). We will issue an appropriate announcement if there is any material change to the above proposed use of [**REDACTED**].

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[**REDACTED**]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[**REDACTED**]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

The following is the text of a report received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this Document.

[To insert the firm's letterhead]

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SHANGHAI BAO PHARMACEUTICALS CO., LTD., CITIC SECURITIES (HONG KONG) LIMITED AND HAITONG INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of Shanghai Bao Pharmaceuticals Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages [I-4] to [I-60], which comprises the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group for the year ended 31 December 2023 (the "Relevant Period"), and the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2023 and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages [I-4] to [I-60] 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 Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at 31 December 2023 and of the financial performance and cash flows of the Group for the Relevant Period in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Review of interim 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 30 September 2024 and the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 September 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 30 September 2023 and other explanatory information (the "**Interim Financial Information**"). The directors of the Company are responsible for the preparation of the Interim Financial Information in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might

be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page [I-4] have been made.

Dividends

We refer to note 11 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Period.

[●]
Certified Public Accountants
Hong Kong
[Date]

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Period, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") (the "Underlying Financial Statements").

The unaudited Interim Financial Information in this report was prepared based on management accounts of the Group for each of the nine months ended 30 September 2023 and 2024.

The Historical Financial Information and the unaudited Interim Financial Information are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December	Nine months ended 30 September	
		2023	2023	2024
		RMB'000	*RMB'000 (Unaudited)*	*RMB'000 (Unaudited)*
Revenue	*5*	6,930	5,043	4,441
Cost of sales		(149)	(149)	(634)
Gross profit		6,781	4,894	3,807
Other income and gains	*5*	17,597	16,267	4,132
Research and development expenses		(132,545)	(95,899)	(183,660)
Business development expenses		(1,227)	(629)	(5,610)
Administrative expenses		(46,351)	(33,887)	(78,051)
Finance costs	*7*	(3,655)	(2,888)	(3,217)
Other expenses		(81)	(81)	(100)
Share of loss of an associate		(915)	(760)	(488)
LOSS BEFORE TAX	*6*	(160,396)	(112,983)	(263,187)
Income tax credit/(expense)	*10*	1	(24)	23
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR/PERIOD		(160,395)	(113,007)	(263,164)
Attributable to:				
Owners of the parent		(160,395)	(113,007)	(263,164)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*12*			
Basic and diluted (RMB)		(3.17)	(2.26)	(5.02)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2023	As at 30 September 2024
		RMB'000	*RMB'000 (Unaudited)*
NON-CURRENT ASSETS			
Property, plant and equipment	*13*	531,215	573,795
Right-of-use assets	*14*	54,207	54,565
Other intangible assets	*15*	12,565	12,472
Investment in an associate	*16*	8,437	7,949
Prepayments, other receivables and other assets	*19*	1,311	310
Total non-current assets		607,735	649,091
CURRENT ASSETS			
Inventories	*17*	8,072	5,274
Trade receivables	*18*	2,000	2,000
Prepayments, other receivables and other assets	*19*	34,402	43,952
Restricted deposits	*20*	–	80,126
Cash and cash equivalents	*20*	321,671	472,017
Total current assets		366,145	603,369
CURRENT LIABILITIES			
Other payables and accruals	*21*	80,786	62,440
Interest-bearing bank borrowings	*22*	65,111	98,579
Lease liabilities	*14*	924	1,323
Total current liabilities		146,821	162,342
NET CURRENT ASSETS		219,324	441,027
TOTAL ASSETS LESS CURRENT LIABILITIES		827,059	1,090,118
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	*22*	44,983	80,379
Lease liabilities	*14*	97	1,054
Deferred tax liabilities	*23*	23	–
Deferred income	*24*	32,830	33,830
Total non-current liabilities		77,933	115,263
Net assets		749,126	974,855
EQUITY			
Equity attributable to owners of the parent			
Share capital	*25*	52,046	56,490
Reserves	*26*	697,080	918,365
Total equity		749,126	974,855

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2023

		Attributable to owners of the parent			
	Notes	**Share capital**	**Share premium***	**Accumulated losses***	**Total**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023		48,402	1,002,326	(263,531)	787,197
Loss and total comprehensive loss for the year		–	–	(160,395)	(160,395)
Capital injection	*25, 26*	3,644	118,680	–	122,324
Conversion into a joint stock company	*26*	–	(120,695)	120,695	–
At 31 December 2023		52,046	1,000,311	(303,231)	749,126

Nine months ended 30 September 2024 (unaudited)

		Attributable to owners of the parent				
	Notes	**Share capital**	**Share premium***	**Share-based payment reserve***	**Accumulated losses***	**Total**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2024		52,046	1,000,311	–	(303,231)	749,126
Loss and total comprehensive loss for the period (unaudited)		–	–	–	(263,164)	(263,164)
Capital injection (unaudited)	*25*	4,444	371,256	–	–	375,700
Equity-settled share-based payment expense (unaudited)	*28*	–	–	113,193	–	113,193
At 30 September 2024 (unaudited)		56,490	1,371,567	113,193	(566,395)	974,855

Nine months ended 30 September 2023 (unaudited)

		Attributable to owners of the parent			
	Notes	**Share capital**	**Share premium**	**Accumulated losses**	**Total**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023		48,402	1,002,326	(263,531)	787,197
Loss and total comprehensive loss for the period (unaudited)		–	–	(113,007)	(113,007)
Capital injection	*25, 26*	3,644	118,680	–	122,324
Conversion into a joint stock company	*26*	–	(120,695)	120,695	–
At 30 September 2023 (unaudited)		52,046	1,000,311	(255,843)	796,514

* The reserve accounts comprised the consolidated reserves of RMB697,080,000 and RMB918,365,000 (unaudited) as at 31 December 2023 and 30 September 2024.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December	Nine months ended 30 September	
		2023	2023	2024
		RMB'000	*RMB'000 (Unaudited)*	*RMB'000 (Unaudited)*
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before tax		(160,396)	(112,983)	(263,187)
Adjustments for:				
Interest income	*5*	(7,896)	(6,437)	(2,668)
Finance costs	*7*	3,655	2,888	3,217
Equity-settled share-based payment expense	*28*	–	–	113,193
Foreign exchange differences, net		(2,969)	(3,827)	22
Depreciation of property, plant and equipment	*13*	19,086	13,539	21,093
Depreciation of right-of-use assets	*14*	1,667	1,252	1,249
Amortisation of other intangible assets	*15*	1,681	1,248	1,719
Loss on disposal of items of property, plant and equipment	*6*	27	27	78
Share of loss of an associate	*16*	915	760	488
		(144,230)	(103,533)	(124,796)
Increase in trade receivables		(2,000)	(1,000)	–
Increase in prepayments, other receivables and other assets		(13,257)	(10,047)	(9,550)
(Increase)/decrease in inventories		(632)	(1,359)	2,798
Increase in deferred income		400	400	–
Increase/(decrease) in other payables and accruals		11,610	5,921	(1,985)
Increase in restricted deposits	*20*	–	–	(80,126)
Cash used in operations		(148,109)	(109,618)	(213,659)
Interest received		7,896	6,437	2,668
Net cash flows used in operating activities		(140,213)	(103,181)	(210,991)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment		(136,365)	(116,230)	(79,220)
Proceeds from disposal of items of property, plant and equipment		–	–	149
Receipt of government grants for property, plant and equipment		–	–	1,000
Net cash flows used in investing activities		(136,365)	(116,230)	(78,071)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of shares		120,251	120,251	375,700
New interest-bearing bank borrowings		48,467	28,467	79,400
Repayment of interest-bearing bank borrowings		(39,800)	(29,800)	(10,569)
Principal portion of lease payment	*14*	(1,690)	(1,430)	(1,104)
Interest paid		(4,295)	(3,257)	(3,997)
Net cash flows generated from financing activities		122,933	114,231	439,430
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(153,645)	(105,180)	150,368
Cash and cash equivalents at beginning of year/period		472,347	472,347	321,671
Effect of foreign exchange rate changes, net		2,969	3,827	(22)
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	*20*	321,671	370,994	472,017

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at 31 December 2023	As at 30 September 2024
		RMB'000	*RMB'000 (Unaudited)*
NON-CURRENT ASSETS			
Property, plant and equipment	*13*	509,294	554,929
Right-of-use assets	*14*	53,555	53,303
Other intangible assets	*15*	10,619	10,742
Investment in an associate	*16*	8,437	7,949
Investments in subsidiaries		490,451	517,876
Prepayments, other receivables and other assets	*19*	1,311	310
Total non-current assets		1,073,667	1,145,109
CURRENT ASSETS			
Inventories	*17*	7,015	4,650
Trade receivables	*18*	2,279	23,699
Prepayments, other receivables and other assets	*19*	42,166	268,211
Restricted deposits	*20*	–	73,700
Cash and cash equivalents	*20*	306,494	315,659
Total current assets		357,954	685,919
CURRENT LIABILITIES			
Other payables and accruals	*21*	54,432	38,763
Loans from subsidiaries		8,009	48,611
Interest-bearing bank borrowings	*22*	65,111	98,579
Lease liabilities	*14*	333	677
Total current liabilities		127,885	186,630
NET CURRENT ASSETS		230,069	499,289
TOTAL ASSETS LESS CURRENT LIABILITIES		1,303,736	1,644,398
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	*22*	44,983	80,379
Lease liabilities	*14*	–	413
Deferred tax liabilities	*23*	23	–
Deferred income	*24*	26,830	26,830
Total non-current liabilities		71,836	107,622
Net assets		1,231,900	1,536,776
EQUITY			
Share capital	*25*	52,046	56,490
Reserves	*26*	1,179,854	1,480,286
Total equity		1,231,900	1,536,776

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION AND THE UNAUDITED INTERIM FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company was incorporated in the People's Republic of China (the "PRC") on 16 December 2019, as a limited liability company under the Companies Law of the PRC. The registered office of the Company is located at No. 28 Luoxin Road, Baoshan District, Shanghai. The Company was converted into a joint stock company on 26 July 2023.

During the Relevant Period and the nine months ended 30 September 2024, the Company and its subsidiaries were involved in the research and development of pharmaceutical products.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies, the particulars of which are as follows:

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Suzhou Centergene Pharmaceuticals Co., Ltd.* *(note a)*	PRC/Mainland China 24 July 2014	RMB64,575,476	66.18%	33.82%	Research and development of pharmaceutical products
Suzhou Kangju Biotechnology Co., Ltd.* *(note a)*	PRC/Mainland China 15 August 2011	RMB10,000,000	100.00%	–	Research and development of pharmaceutical products
Hainan Baoji Biotechnology Co., Ltd.* *(note a)*	PRC/Mainland China 8 February 2022	RMB1,000,000	100.00%	–	Research and development of pharmaceutical products

Note:

a. The statutory financial statements of these entities for the year ended 31 December 2023 prepared in accordance with PRC generally accepted accounting principles and regulations for Business Enterprises were audited by RSM China, certified public accountants registered in the PRC.

* The English names of these companies represent the best effort made by the directors of the Company to translate the Chinese names as these companies have not been registered with any official English names.

2.1 BASIS OF PREPARATION

The Historical Financial Information and the unaudited Interim Financial Information have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB").

All IFRSs effective for the accounting period commencing from 1 January 2024, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information and the unaudited Interim Financial Information throughout the Relevant Period and the nine months ended 30 September 2023 and 2024.

The Historical Financial Information and the unaudited Interim Financial Information have been prepared under the historical cost convention. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The Historical Financial Information and the unaudited Interim Financial Information include the financial statements of the Company and its subsidiaries for the Relevant Period and the nine months ended 30 September 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 statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 ISSUED BUT NOT YET EFFECTIVE 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 and the unaudited Interim Financial Information. The Group intends to apply these new and revised IFRSs, if applicable, when they become effective.

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to IAS 21	*Lack of Exchangeability*[1]
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*[4]
Annual Improvements to IFRS Accounting Standards – Volume 11	*Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7*[4]

1 Effective for annual periods beginning on or after 1 January 2025

2 No mandatory effective date yet determined but available for adoption

3 Effective for annual/reporting periods beginning on or after 1 January 2027

4 Effective for annual periods beginning on or after 1 January 2026

IFRS 18 replaces IAS 1 *Presentation of Financial Statements*. While a number of sections have been brought forward from IAS 1 with limited changes, IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in IAS 1 are moved to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, which is renamed as IAS 8 *Basis of Preparation of Financial Statements*. As a consequence of the issuance of IFRS 18, limited, but widely applicable, amendments are made to IAS 7 *Statement of Cash Flows*, IAS 33 *Earnings per Share* and IAS 34 *Interim Financial Reporting*. In addition, there are minor consequential amendments to other IFRSs. IFRS 18 and the consequential amendments to other IFRSs are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The Group is currently analysing the new requirements and assessing the impact of IFRS 18 on the presentation and disclosure of the Group's financial statements. The application of IFRS 18 is not expected to have material impact on the financial position of the Group but is expected to affect the presentation of the statement of profit or loss and statement of cash flows and additional disclosure will be included in the financial statements.

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 statements 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 associates is included in the consolidated statements of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statements of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised 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 investments in associates.

Fair value measurement

The Group measures its financial assets at fair value through profit or loss at the end of each reporting period. 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 recognised in the financial statements 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 reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and deferred tax assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

  (i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Category	Principal annual rate
Decoration	20.00%-33.33%
Buildings	2.79%
Office equipment	9.50%-31.67%
Electronic equipment	9.50%-31.67%
Machinery	9.50%-31.67%
Motor vehicles	19.00%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Software

Purchased software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful lives of 5 years to 10 years.

Patents and licences

Purchased patents and licences are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 10 years.

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

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 recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	50 years
Properties and office premises	2 to 4 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of office premises (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).

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statements of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, or as payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include other payables and accruals and interest-bearing bank borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (other payables and borrowings)

After initial recognition, other payables and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in and first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

Cash and cash equivalents in the statements 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 statements of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries and an associate, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries and an associate, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by each reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received, and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

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 recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

(a) Sale of materials

Revenue from the sale of materials is recognised at the point in time when control of the products is transferred to the customer upon receipt of the goods.

(b) Technical services

The Group provides technical support to the consumers for the joint development of subcutaneous formulations in combination with the Group's drugs. The Group recognises revenue from technical services at the point in time when the customer obtains technical support, limited to the consideration that is not constrained, as the Group does not perform any activities that significantly affect the licence and technology to which the customer has rights. Non-refundable payments received before all of the relevant criteria for revenue recognition are satisfied are recorded as contract liabilities.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related services to the customer).

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statements of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Share-based payments

The Company operates a restricted share unit scheme ("RSU"). Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value of equity-settled share-based payment granted was estimated as at the date of grant using recent transaction price, taking into account the terms and conditions upon which the RSUs were granted.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

Other employee benefits

Pension scheme

The employees of the Group which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries operating in Mainland China are required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

The Historical Financial Information and the unaudited Interim Financial Information are presented in RMB, which is the Company's functional currency. Each entity in the Group uses RMB as its 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 each reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The resulting exchange differences are recognised 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 recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's Historical Financial Information and the unaudited Interim Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements apart from those involving estimations which have the most significant effect on the amounts recognised in the Historical Financial Information and the unaudited Interim Financial Information.

Research and development costs

All research costs are charged to profit or loss as incurred. Expenses incurred on each pipeline to develop new products are capitalised and deferred in accordance with the accounting policy for research and development expenses in note 2.3 to the Historical Financial Information and the unaudited Interim Financial Information. Determining the amounts to be capitalised requires management to make judgements on the technical feasibility of existing pipelines to be successfully commercialised and bring economic benefits to the Company.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at each reporting 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.

Leases — Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

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 reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are included in note 23 to the Historical Financial Information and the unaudited Interim Financial Information.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group has only one reportable operating segment, which is research and development 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 Period and the nine months ended 30 September 2023 and 2024, nearly all of the Group's revenue was derived from customers located in Mainland China and all of the Group's non-current assets were located in Mainland China, and therefore no geographical segment information is presented in accordance with IFRS 8 *Operating Segments*.

Information about major customers

Revenue from each of the major customers, which accounted for 10% or more of the Group's revenue during the Relevant Period and the nine months ended 30 September 2023 and 2024, is as follows:

	Year ended 31 December	Nine months ended 30 September	
	2023	2023	2024
	RMB'000	*RMB'000 (Unaudited)*	*RMB'000 (Unaudited)*
Customer A	2,830	943	*
Customer B	2,000	2,000	–
Customer C	1,701	1,701	–
Customer D	–	–	2,830
Customer E	–	–	657

* Transactions with this customer did not account for 10% or more of the Group's revenue.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 December	Nine months ended 30 September	
	2023	2023	2024
	RMB'000	*RMB'000 (Unaudited)*	*RMB'000 (Unaudited)*
Revenue from contracts with customers	6,930	5,043	4,441

Revenue from contracts with customers

(a) Disaggregated revenue information

	Year ended 31 December	Nine months ended 30 September	
	2023	2023	2024
	RMB'000	*RMB'000 (Unaudited)*	*RMB'000 (Unaudited)*
Types of goods and services			
Sales of materials	2,099	2,099	1,603
Technical services	4,831	2,944	2,838
Total	6,930	5,043	4,441
Timing of revenue recognition			
Goods transferred at a point in time	2,099	2,099	1,603
Services transferred at a point in time	4,831	2,944	2,838
Total revenue from contracts with customers	6,930	5,043	4,441

There was no revenue recognised during the Relevant Period and the nine months ended 30 September 2023 and 2024 that was included in the contract liabilities at the beginning of each of the Relevant Period and the nine months ended 30 September 2023 and 2024.

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of materials

The performance obligation is satisfied upon delivery of the materials and payment is generally due within 30 days from the date of billing.

Technical services

The performance obligation is satisfied when the services are rendered and payment is generally due within 30 days upon completion of the services and customer acceptance.

Under the practical expedient allowed by IFRS 15, the Group does not disclose the value of unsatisfied performance obligation.

During the Relevant Period and the nine months ended 30 September 2023 and 2024, the Group entered into licence and collaboration agreements with pharmaceutical companies (the "Licensee") so as to develop, manufacture and commercialise certain biologic drugs developed by the Group in certain territories, or to jointly develop the subcutaneous formulations in combination with the Group's drugs. The Group shall receive upfront payments in accordance with licence agreements and is eligible to receive milestone payments upon the achievement of specified regulatory milestones, tiered royalties based on net sales in the territories.

	Year ended 31 December	Nine months ended 30 September	
	2023	2023	2024
	RMB'000	*RMB'000 (Unaudited)*	*RMB'000 (Unaudited)*
Other income			
Government grants*	6,320	5,591	1,464
Bank interest income	7,896	6,437	2,668
Others	412	412	–
Total other income	14,628	12,440	4,132
Gains			
Foreign exchange gains, net	2,969	3,827	–
Total other income and gains	17,597	16,267	4,132

* The government grants have been received from the PRC local government authorities for supporting the Group's operating activities. There are no unfulfilled conditions relating to these government grants.

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	Notes	Year ended 31 December	Nine months ended 30 September	
		2023	2023	2024
		RMB'000	*RMB'000 (Unaudited)*	*RMB'000 (Unaudited)*
Cost of inventories sold*		149	149	473
Cost of services provided*		–	–	161
Depreciation of property, plant and equipment**	*13*	19,086	13,539	21,093
Depreciation of right-of-use assets***	*14*	1,667	1,252	1,249
Amortisation of other intangible assets	*15*	1,681	1,248	1,719
Auditor's remuneration		1,961	1,791	300
Lease payments not included in the measurement of lease liabilities	*14*	93	58	114
Employee benefit expense (excluding directors' and chief executive's remuneration *(note 8)*):				
Wages and salaries		48,330	32,546	44,392
Pension scheme contributions (defined contribution scheme)		14,483	10,012	12,744
Equity-settled share-based payment expense		–	–	41,764
Total		62,813	42,558	98,900
Foreign exchange differences, net		(2,969)	(3,827)	22
Loss on disposal of items of property, plant and equipment****		27	27	78
Share of loss of an associate		915	760	488

* Cost of inventories sold and cost of services provided include expenses relating to depreciation of property, plant and equipment and staff costs, which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

** The amount of the depreciation of property, plant and equipment is included in "Cost of sales", "Research and development expenses", "Business development expenses" and "Administrative expenses" in the consolidated statements of profit or loss and other comprehensive income.

*** The amount of the depreciation of right-of-use assets is included in "Research and development expenses" and "Administrative expenses" in the consolidated statements of profit or loss and other comprehensive income.

**** Included in "Other expenses" in the consolidated statements of profit or loss and other comprehensive income.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December	Nine months ended 30 September	
	2023	2023	2024
	RMB'000	*RMB'000 (Unaudited)*	*RMB'000 (Unaudited)*
Interest on bank borrowings	4,321	3,278	3,981
Interest on lease liabilities	73	61	49
Total interest expense	4,394	3,339	4,030
Less: Interest capitalised	(739)	(451)	(813)
Total	3,655	2,888	3,217

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the Relevant Period and the nine months ended 30 September 2023 and 2024 is as follows:

	Year ended 31 December	Nine months ended 30 September	
	2023	2023	2024
	RMB'000	*RMB'000 (Unaudited)*	*RMB'000 (Unaudited)*
Fees	100	75	170
Other emoluments:			
Salaries, allowances and benefits in kind	2,894	2,160	2,207
Pension scheme contributions and social welfare	375	285	289
Performance related bonuses	699	525	523
Equity-settled share-based payment expense	–	–	71,429
Subtotal	3,968	2,970	74,448
Total fees and other emoluments	4,068	3,045	74,618

During the nine months ended 30 September 2024, certain directors were granted RSUs, in respect of their services to the Group, under the share incentive plan of the Company, further details of which are set out in note 28 to the Historical Financial Information and the unaudited Interim Financial Information. The fair value of such RSUs, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the Historical Financial Information and the unaudited Interim Financial Information for the Relevant period and the nine months ended 30 September 2023 and 2024 is included in the above directors' and chief executive's remuneration disclosures.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the Relevant Period and the nine months ended 30 September 2023 and 2024 were as follows:

	Year ended 31 December	Nine months ended 30 September	
	2023	2023	2024
	RMB'000	*RMB'000 (Unaudited)*	*RMB'000 (Unaudited)*
Dr. Ju Dianwen *(i)*	–	–	30
Dr. Zeng Fanyi *(i)*	–	–	30
Mr. Cai Zhongxi *(i)*	–	–	30
Mr. Cao Xiaoguang *(i)*	–	–	30
Total	–	–	120

Note:

(i) Dr. Ju Dianwen, Dr. Zeng Fanyi, Mr. Cai Zhongxi and Mr. Cao Xiaoguang were appointed as independent non-executive directors of the Company on 18 July 2024.

There were no other emoluments payable to the independent non-executive directors during the Relevant Period and the nine months ended 30 September 2023 and 2024.

(b) Executive directors, non-executive directors and the chief executive

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Performance related bonuses	Share-based payment expenses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2023						
Executive directors:						
Dr. Liu Yanjun	–	1,578	143	150	–	1,871
Ms. Wang Zheng	–	856	143	360	–	1,359
Mr. Tan Jingwei	–	460	89	189	–	738
Subtotal	–	2,894	375	699	–	3,968
Non-executive directors:						
Mr. Liu Tao *(i)*	100	–	–	–	–	100
Ms. Zheng Juan	–	–	–	–	–	–
Mr. Diao Junhuan	–	–	–	–	–	–
Mr. Lin Rongjin *(i)*	–	–	–	–	–	–
Subtotal	100	–	–	–	–	100
Total	100	2,894	375	699	–	4,068

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Performance related bonuses	Share-based payment expenses	Total
	RMB'000 (Unaudited)	*RMB'000 (Unaudited))*	*RMB'000 (Unaudited)*	*RMB'000 (Unaudited)*	*RMB'000 (Unaudited)*	*RMB'000 (Unaudited)*
Nine months ended 30 September 2023						
Executive directors:						
Dr. Liu Yanjun	–	1,175	106	113	–	1,394
Ms. Wang Zheng	–	640	106	270	–	1,016
Mr. Tan Jingwei	–	345	73	142	–	560
Subtotal	–	2,160	285	525	–	2,970
Non-executive directors:						
Mr. Liu Tao *(i)*	75	–	–	–	–	75
Ms. Zheng Juan	–	–	–	–	–	–
Mr. Diao Junhuan	–	–	–	–	–	–
Mr. Lin Rongjin *(i)*	–	–	–	–	–	–
Subtotal	75	–	–	–	–	75
Total	75	2,160	285	525	–	3,045

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Performance related bonuses	Share-based payment expenses	Total
	RMB'000 (Unaudited)	*RMB'000 (Unaudited))*	*RMB'000 (Unaudited)*	*RMB'000 (Unaudited)*	*RMB'000 (Unaudited)*	*RMB'000 (Unaudited)*
Nine months ended 30 September 2024						
Executive directors:						
Dr. Liu Yanjun	–	1,203	109	113	57,576	59,001
Ms. Wang Zheng	–	657	109	270	9,188	10,224
Mr. Tan Jingwei	–	347	71	140	4,665	5,223
Subtotal	–	2,207	289	523	71,429	74,448
Non-executive directors:						
Mr. Liu Tao *(i)*	50	–	–	–	–	50
Ms. Zheng Juan	–	–	–	–	–	–
Mr. Diao Junhuan	–	–	–	–	–	–
Ms. Wang Suqi *(ii)*	–	–	–	–	–	–
Mr. Li Chen *(ii)*	–	–	–	–	–	–
Mr. Lin Rongjin *(i)*	–	–	–	–	–	–
Subtotal	50	–	–	–	–	50
Total	50	2,207	289	523	71,429	74,498

Notes:

(i) Mr. Liu Tao and Mr. Lin Rongjin resigned as non-executive directors of the Company on 18 July 2024.

(ii) Ms. Wang Suqi and Mr. Li Chen were appointed as non-executive directors of the Company on 18 July 2024.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Relevant Period and the nine months ended 30 September 2023 and 2024.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the Relevant Period and the nine months ended 30 September 2023 and 2024 included two, two and three directors, respectively, the details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three, three and two highest paid employees who are not the directors or the chief executive of the Company are as follows:

	Year ended 31 December	Nine months ended 30 September	
	2023	2023	2024
	RMB'000	*RMB'000 (Unaudited)*	*RMB'000 (Unaudited)*
Salaries, allowances and benefits in kind	1,812	1,358	956
Performance related bonuses	705	529	371
Pension scheme contributions	429	319	217
Equity-settled share-based payment expense	–	–	10,256
Total	2,946	2,206	11,800

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December	Nine months ended 30 September	
	2023	2023	2024
		(Unaudited)	*(Unaudited)*
Nil to HK$1,000,000	1	3	–
HK$1,000,001 to HK$1,500,000	2	–	–
HK$6,000,001 to HK$6,500,000	–	–	1
HK$6,500,001 to HK$7,000,000	–	–	1
Total	3	3	2

During the nine months ended 30 September 2024, RSUs were granted to the 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 28 to the Historical Financial Information and the unaudited Interim Financial Information. The fair value of such RSUs, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the Historical Financial Information and the unaudited Interim Financial Information for the Relevant Period and the nine months ended 30 September 2023 and 2024 is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

10. INCOME TAX

Mainland China

Pursuant to the Corporate Income Tax Law of the People's Republic of China and the respective regulations (the "CIT Law"), Hainan Baoji Biotechnology Co., Ltd. which operates in Mainland China is subject to CIT at a rate of 25% on the taxable income during the Relevant Period and the nine months ended 30 September 2023 and 2024.

Shanghai Bao Pharmaceuticals Co., Ltd., Suzhou Centergene Pharmaceuticals Co., Ltd. and Suzhou Kangju Biotechnology Co., Ltd. were accredited as "High and New Technology Enterprises" under the relevant tax rules and regulations in 2022, and accordingly, were entitled to a reduced preferential CIT rate of 15% from 2022 to 2024. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

The income tax expense of the Group for the Relevant Period and the nine months ended 30 September 2023 and 2024 is analysed as follows:

	Year ended 31 December	Nine months ended 30 September	
	2023	2023	2024
	RMB'000	*RMB'000 (Unaudited)*	*RMB'000 (Unaudited)*
Current tax:			
Charge for the year/period	–	–	–
Deferred tax	(1)	24	(23)
Total tax (credit)/charge for the year/period	(1)	24	(23)

A reconciliation of the tax expense/(credit) applicable to loss before tax at the statutory tax rate for the jurisdiction where the operations of the Group are substantially based to the tax expense/(credit) at the effective tax rate is as follows:

	Year ended 31 December	Nine months ended 30 September	
	2023	2023	2024
	RMB'000	*RMB'000 (Unaudited)*	*RMB'000 (Unaudited)*
Loss before tax	(160,396)	(112,983)	(263,187)
Tax at the statutory tax rate of 25%	(40,099)	(28,246)	(65,797)
Lower tax rate or enacted by local authority	16,039	11,298	26,239
Additional deductible allowance for qualified research and development expenses	(20,082)	(17,648)	(16,087)
Expenses not deductible for tax purposes	249	178	123
Tax losses and temporary differences not recognised	43,892	34,442	55,499
Tax (credit)/charge at the Group's effective rate	(1)	24	(23)

11. DIVIDENDS

No dividend was paid or declared by the Company since its date of incorporation.

12. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amounts is based on the loss attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the Relevant Period and the nine months ended 30 September 2023 and 2024.

The calculation of the diluted loss per share amounts is based on the loss for the year/period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the Relevant Period and the nine months ended 30 September 2023 and 2024, as used in the basic loss per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares during the Relevant Period and the nine months ended 30 September 2023 and 2024.

The calculations of basic loss per share are based on:

	Year ended 31 December	Nine months ended 30 September	
	2023	2023	2024
	RMB'000	*RMB'000 (Unaudited)*	*RMB'000 (Unaudited)*
Loss			
Loss attributable to ordinary equity holders of the parent	(160,395)	(113,007)	(263,164)

	Number of shares		
	Year ended 31 December	Nine months ended 30 September	
	2023	2023	2024
		(Unaudited)	*(Unaudited)*
Shares			
Weighted average number of ordinary shares in issue during the year/period used in the basic loss per share calculation	50,592,809	50,103,022	52,389,000

During the Relevant Period and the nine months ended 30 September 2023 and 2024, the potential ordinary shares were not included in the calculation of diluted loss per share as the potential ordinary shares had an anti-dilutive effect on the basic loss per share for each of those periods. Accordingly, the diluted loss per share amounts during the Relevant Period and the nine months ended 30 September 2023 and 2024 are the same as the basic loss per share amounts.

13. PROPERTY, PLANT AND EQUIPMENT

The Group

	Decoration	Buildings	Office equipment	Electronic equipment	Machinery	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2023								
At 1 January 2023:								
Cost	5,556	199,133	621	2,311	77,810	1,205	120,929	407,565
Accumulated depreciation	(397)	(6,491)	(435)	(650)	(17,601)	(331)	–	(25,905)
Net carrying amount	5,159	192,642	186	1,661	60,209	874	120,929	381,660
At 1 January 2023, net of accumulated depreciation	5,159	192,642	186	1,661	60,209	874	120,929	381,660
Additions	7,380	–	–	–	–	–	163,815	171,195
Transfers	65	–	298	877	80,983	413	(85,150)	(2,514)
Disposal	–	–	–	–	(27)	–	–	(27)
Depreciation provided during the year	(2,594)	(5,564)	(55)	(465)	(10,184)	(237)	–	(19,099)
At 31 December 2023, net of accumulated depreciation	10,010	187,078	429	2,073	130,981	1,050	199,594	531,215
At 31 December 2023:								
Cost	13,001	199,133	919	3,181	158,752	1,617	199,594	576,197
Accumulated depreciation	(2,991)	(12,055)	(490)	(1,108)	(27,771)	(567)	–	(44,982)
Net carrying amount	10,010	187,078	429	2,073	130,981	1,050	199,594	531,215

	Decoration	Buildings	Office equipment	Electronic equipment	Machinery	Motor vehicles	Construction in progress	Total
	RMB'000 (Unaudited)	*RMB'000 (Unaudited)*	*RMB'000 (Unaudited)*	*RMB'000 (Unaudited)*	*RMB'000 (Unaudited)*	*RMB'000 (Unaudited)*	*RMB'000 (Unaudited)*	*RMB'000 (Unaudited)*
As at 30 September 2024								
At 1 January 2024:								
Cost	13,001	199,133	919	3,181	158,752	1,617	199,594	576,197
Accumulated depreciation	(2,991)	(12,055)	(490)	(1,108)	(27,771)	(567)	–	(44,982)
Net carrying amount	10,010	187,078	429	2,073	130,981	1,050	199,594	531,215
At 1 January 2024, net of accumulated depreciation	10,010	187,078	429	2,073	130,981	1,050	199,594	531,215
Additions	1,711	–	–	–	–	–	63,824	65,535
Transfers	460	–	25	1,214	6,840	–	(10,165)	(1,626)
Disposal	–	–	–	(1)	(226)	–	–	(227)
Depreciation provided during the period	(2,614)	(4,173)	(43)	(497)	(13,592)	(183)	–	(21,102)

	Decoration	Buildings	Office equipment	Electronic equipment	Machinery	Motor vehicles	Construction in progress	Total
	RMB'000 (Unaudited)	*RMB'000 (Unaudited)*	*RMB'000 (Unaudited)*	*RMB'000 (Unaudited)*	*RMB'000 (Unaudited)*	*RMB'000 (Unaudited)*	*RMB'000 (Unaudited)*	*RMB'000 (Unaudited)*
At 30 September 2024, net of accumulated depreciation	9,567	182,905	411	2,789	124,003	867	253,253	573,795
At 30 September 2024:								
Cost	15,172	199,133	944	4,392	165,217	1,617	253,253	639,728
Accumulated depreciation	(5,605)	(16,228)	(533)	(1,603)	(41,214)	(750)	–	(65,933)
Net carrying amount	9,567	182,905	411	2,789	124,003	867	253,253	573,795

Certain of the Group's buildings with aggregate net carrying amounts of approximately RMB187,078,000 and RMB182,905,000 (unaudited) were pledged to secure interest-bearing bank borrowings granted to the Group as at 31 December 2023 and as at 30 September 2024, respectively (note 22).

The Company

	Decoration	Buildings	Office equipment	Electronic equipment	Machinery	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2023								
At 1 January 2023:								
Cost	5,467	199,133	118	1,470	40,557	869	120,929	368,543
Accumulated depreciation	(355)	(6,491)	(16)	(212)	(3,885)	(70)	–	(11,029)
Net carrying amount	5,112	192,642	102	1,258	36,672	799	120,929	357,514
At 1 January 2023, net of accumulated depreciation	5,112	192,642	102	1,258	36,672	799	120,929	357,514
Additions	7,311	–	–	–	–	–	162,157	169,468
Transfers	65	–	272	820	79,402	412	(83,485)	(2,514)
Disposal	–	–	–	–	(4)	–	–	(4)
Depreciation provided during the year	(2,508)	(5,564)	(17)	(361)	(6,542)	(178)	–	(15,170)
At 31 December 2023, net of accumulated depreciation	9,980	187,078	357	1,717	109,528	1,033	199,601	509,294
At 31 December 2023:								
Cost	12,843	199,133	389	2,290	119,954	1,281	199,601	535,491
Accumulated depreciation	(2,863)	(12,055)	(32)	(573)	(10,426)	(248)	–	(26,197)
Net carrying amount	9,980	187,078	357	1,717	109,528	1,033	199,601	509,294

	Decoration	Buildings	Office equipment	Electronic equipment	Machinery	Motor vehicles	Construction in progress	Total
	RMB'000 (Unaudited)	*RMB'000 (Unaudited)*	*RMB'000 (Unaudited)*	*RMB'000 (Unaudited)*	*RMB'000 (Unaudited)*	*RMB'000 (Unaudited)*	*RMB'000 (Unaudited)*	*RMB'000 (Unaudited)*
As at 30 September 2024								
At 1 January 2024:								
Cost	12,843	199,133	389	2,290	119,954	1,281	199,601	535,491
Accumulated depreciation	(2,863)	(12,055)	(32)	(573)	(10,426)	(248)	–	(26,197)
Net carrying amount	9,980	187,078	357	1,717	109,528	1,033	199,601	509,294
At 1 January 2024, net of accumulated depreciation	9,980	187,078	357	1,717	109,528	1,033	199,601	509,294
Additions	1,679	–	–	–	–	–	64,084	65,763
Transfers	460	–	13	1,185	6,790	–	(10,074)	(1,626)
Disposal	–	–	–	–	(149)	–	–	(149)
Depreciation provided during the period	(2,568)	(4,173)	(30)	(423)	(10,976)	(183)	–	(18,353)
At 30 September 2024, net of accumulated depreciation	9,551	182,905	340	2,479	105,193	850	253,611	554,929
At 30 September 2024:								
Cost	14,982	199,133	402	3,475	126,575	1,281	253,611	599,459
Accumulated depreciation	(5,431)	(16,228)	(62)	(996)	(21,382)	(431)	–	(44,530)
Net carrying amount	9,551	182,905	340	2,479	105,193	850	253,611	554,929

Certain of the Company's buildings with aggregate net carrying amounts of approximately RMB187,078,000 and RMB182,905,000 (unaudited) were pledged to secure interest-bearing bank borrowings granted to the Company as at 31 December 2023 and as at 30 September 2024, respectively (note 22).

14. LEASES

The Group as a lessee

The Group has lease contracts for various items of properties and office premises used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of properties and office premises generally have lease terms between 2 and 4 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. Other rental agreements generally have lease terms of 12 months or less.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the Relevant Period and the nine months ended 30 September 2024 are as follows:

	Properties and office premises	Leasehold land	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January 2023	2,628	54,206	56,834
Additions	180	–	180
Depreciation charge	(1,667)	(1,140)	(2,807)
As at 31 December 2023	1,141	53,066	54,207
As at 31 December 2023 and 1 January 2024	1,141	53,066	54,207
Additions (unaudited)	2,460	–	2,460
Depreciation charge (unaudited)	(1,249)	(853)	(2,102)
As at 30 September 2024 (unaudited)	2,352	52,213	54,565

The Group's leasehold land with net carrying amounts of approximately RMB53,066,000 and RMB52,213,000 (unaudited) was pledged to secure interest-bearing bank borrowings granted to the Group as at 31 December 2023 and 30 September 2024, respectively (note 22).

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the Relevant Period and the nine months ended 30 September 2024 are as follows:

	As at 31 December	As at 30 September
	2023	2024
	RMB'000	*RMB'000 (Unaudited)*
Carrying amount at 1 January	2,531	1,021
New leases	180	2,460
Accretion of interest recognised during the year/period	73	49
Payments	(1,763)	(1,153)
Carrying amount at the end of the year/period	1,021	2,377
Analysed into:		
Current portion	924	1,323
Non-current portion	97	1,054

The maturity analysis of lease liabilities is disclosed in note 34 to the Historical Financial Statement and the unaudited Interim Financial Information.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	Year ended 31 December	Nine months ended 30 September	
	2023	2023	2024
	RMB'000	*RMB'000 (Unaudited)*	*RMB'000 (Unaudited)*
Interest on lease liabilities	73	61	49
Depreciation charge of right-of-use assets	1,667	1,252	1,249
Expenses relating to short-term leases	93	58	114
Total amount recognised in profit or loss	1,833	1,371	1,412

(d) The total cash outflow for leases is disclosed in note 27 to the Historical Financial Information and the unaudited Interim Financial Information.

The Company as a lessee

The Company has a lease contract for properties and office premises used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. The lease of properties and office premises has a lease term of 2 years. Generally, the Company is restricted from assigning and subleasing the leased assets outside the Company. Other rental agreements generally have lease terms of 12 months or less.

(a) Right-of-use assets

The carrying amounts of the Company's right-of-use assets and the movements during the Relevant Period and the nine months ended 30 September 2024 are as follows:

	Properties and office premises	Leasehold land	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January 2023	1,141	54,206	55,347
Depreciation charge	(652)	(1,140)	(1,792)
As at 31 December 2023	489	53,066	53,555
As at 31 December 2023 and 1 January 2024	489	53,066	53,555
Additions	1,090	–	1,090
Depreciation charge (unaudited)	(489)	(853)	(1,342)
As at 30 September 2024 (unaudited)	1,090	52,213	53,303

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the Relevant Period and the nine months ended 30 September 2024 are as follows:

	As at 31 December	As at 30 September
	2023	2024
	RMB'000	*RMB'000 (Unaudited)*
Carrying amount at 1 January	978	333
New leases	–	1,090
Accretion of interest recognised during the year/period	27	3
Payments	(672)	(336)
Carrying amount at the end of the year/period	333	1,090
Analysed into:		
Current portion	333	677
Non-current portion	–	413

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	Year ended 31 December	Nine months ended 30 September	
	2023	2023	2024
	RMB'000	*RMB'000 (Unaudited)*	*RMB'000 (Unaudited)*
Interest on lease liabilities	27	23	3
Depreciation charge of right-of-use assets	652	489	489
Expenses relating to short-term leases	109	43	73
Total amount recognised in profit or loss	788	555	565

15. OTHER INTANGIBLE ASSETS

The Group

	Patents and licences	Software	Total
	RMB'000	*RMB'000*	*RMB'000*
31 December 2023			
Cost at 1 January 2023, net of accumulated amortisation	11,219	513	11,732
Transfers	–	2,514	2,514
Amortisation provided during the year	(1,461)	(220)	(1,681)
At 31 December 2023	9,758	2,807	12,565
At 31 December 2023:			
Cost	14,608	3,238	17,846
Accumulated amortisation	(4,850)	(431)	(5,281)
Net carrying amount	9,758	2,807	12,565

	Patents and licences	Software	Total
	RMB'000 (Unaudited)	*RMB'000 (Unaudited)*	*RMB'000 (Unaudited)*
30 September 2024			
Cost at 1 January 2024, net of accumulated amortisation	9,758	2,807	12,565
Transfers	–	1,626	1,626
Amortisation provided during the period	(1,096)	(623)	(1,719)
At 30 September 2024	8,662	3,810	12,472
At 30 September 2024:			
Cost	14,608	4,864	19,472
Accumulated amortisation	(5,946)	(1,054)	(7,000)
Net carrying amount	8,662	3,810	12,472

The Company

	Patents and licences	Software	Total
	RMB'000	*RMB'000*	*RMB'000*
31 December 2023			
Cost at 1 January 2023, net of accumulated amortisation	9,392	105	9,497
Transfers	–	2,514	2,514
Amortisation provided during the year	(1,225)	(167)	(1,392)
At 31 December 2023	8,167	2,452	10,619
At 31 December 2023:			
Cost	12,250	2,621	14,871
Accumulated amortisation	(4,083)	(169)	(4,252)
Net carrying amount	8,167	2,452	10,619

	Patents and licences	Software	Total
	RMB'000 (Unaudited)	*RMB'000 (Unaudited)*	*RMB'000 (Unaudited)*
30 September 2024			
Cost at 1 January 2024, net of accumulated amortisation	8,167	2,452	10,619
Transfers	–	1,626	1,626
Amortisation provided during the period	(919)	(584)	(1,503)
At 30 September 2024	7,248	3,494	10,742
At 30 September 2024:			
Cost	12,250	4,247	16,497
Accumulated amortisation	(5,002)	(753)	(5,755)
Net carrying amount	7,248	3,494	10,742

16. INVESTMENT IN AN ASSOCIATE

	As at 31 December 2023	As at 30 September 2024
	RMB'000	*RMB'000 (Unaudited)*
Share of net assets	1,382	894
Goodwill on acquisition	7,055	7,055
Total	8,437	7,949

Particulars of the associate are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activities
ABLINK Biotechnology Co., Ltd.	Ordinary shares	PRC/Mainland China	20%	Medical technology

The Group casts significant influence in the decision making of the relevant activities of the associate through its shareholdings, participation in the board or provision of technical information, which does not constitute unilateral power to direct the relevant activities of the associate and the ability to use the power over the associate to affect the amount of the Group's returns.

The following table illustrates the financial information of the Group's associate:

	As at 31 December 2023	As at 30 September 2024
	RMB'000	*RMB'000 (Unaudited)*
Share of the associate's loss for the year/period	(915)	(488)
Share of the associate's total comprehensive loss	(915)	(488)
Carrying amount of the Group's investment in the associate	8,437	7,949

17. INVENTORIES

The Group

	As at 31 December 2023	As at 30 September 2024
	RMB'000	*RMB'000 (Unaudited)*
Raw materials	8,072	5,274

The Company

	As at 31 December 2023	As at 30 September 2024
	RMB'000	*RMB'000 (Unaudited)*
Raw materials	7,015	4,650

18. TRADE RECEIVABLES

The Group

	As at 31 December 2023	As at 30 September 2024
	RMB'000	*RMB'000 (Unaudited)*
Trade receivables	2,000	2,000
Impairment	–	–
Net carrying amount	2,000	2,000

The Group's trading terms with its customers are mainly on credit. The credit period is generally 10 days to 60 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of each of the Relevant Period and the nine months ended 30 September 2024, based on the transaction dates and net of loss allowance, is as follows:

	As at 31 December 2023	As at 30 September 2024
	RMB'000	*RMB'000 (Unaudited)*
Within 1 year	2,000	2,000

During the nine months ended 30 September 2024 and the year ended 31 December 2023, the Group estimated that the expected credit loss rate for trade receivables is minimal. The balance as at 30 September 2024 was subsequently settled on 19 December 2024.

The Company

	As at 31 December 2023	As at 30 September 2024
	RMB'000	*RMB'000 (Unaudited)*
Trade receivables	2,279	23,699
Impairment	–	–
Net carrying amount	2,279	23,699

The Company's trading terms with its customers are mainly on credit. The credit period is generally 10 days to 60 days. Each customer has a maximum credit limit. The Company seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Company does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of each of the Relevant Period and the nine months ended 30 September 2024, based on the transaction dates and net of loss allowance, is as follows:

	As at 31 December 2023	As at 30 September 2024
	RMB'000	*RMB'000 (Unaudited)*
Within 1 year	2,279	23,699

During the nine months ended 30 September 2024 and the year ended 31 December 2023, the Company estimated that the expected credit loss rate for trade receivables is minimal.

19. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

The Group

	As at 31 December 2023	As at 30 September 2024
	RMB'000	*RMB'000 (Unaudited)*
Non-current:		
Prepayment for property, plant and equipment	1,311	310
Current:		
Prepayments	264	771
Deposits and other receivables	2,456	1,165
Deductible value-added tax	28,515	39,239
Amounts due from related parties	40	40
Capital injection from shareholders	2,073	2,073
Prepaid expenses	1,054	664
Total	34,402	43,952

The Company

	As at 31 December 2023	As at 30 September 2024
	RMB'000	*RMB'000 (Unaudited)*
Non-current:		
Prepayment for property, plant and equipment	1,311	310
Current:		
Prepayments	237	717
Deposits and other receivables	148	118
Deductible value-added tax	24,135	31,739
Amounts due from subsidiaries	15,285	233,552
Capital injection from shareholders	2,073	2,073
Prepaid expenses	288	12
Total	42,166	268,211

The balances are interest-free and are not secured with collateral.

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2023 and 30 September 2024, the loss allowance was minimal.

20. CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS

The Group

	As at 31 December 2023	As at 30 September 2024
	RMB'000	*RMB'000 (Unaudited)*
Cash and bank balances	321,671	552,143
Less: Restricted deposits	–	(80,126)
Cash and cash equivalents	321,671	472,017
Denominated in RMB	258,892	523,091
Denominated in US$	62,779	29,052
Cash and bank balances	321,671	552,143

The Company

	As at 31 December 2023	As at 30 September 2024
	RMB'000	*RMB'000 (Unaudited)*
Cash and bank balances	306,494	389,359
Less: Frozen deposits	–	(73,700)
Cash and cash equivalents	306,494	315,659
Denominated in RMB	245,816	362,386
Denominated in US$	60,678	26,973
Cash and bank balances	306,494	389,359

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 authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Deposits of RMB80,126,000 (unaudited) were frozen by the bank at 30 September 2024 by the order of the courts in the PRC pursuant to a legal claim. The bank balances are deposited with creditworthy banks with no recent history of default.

21. OTHER PAYABLES AND ACCRUALS

The Group

		As at 31 December 2023	As at 30 September 2024
		RMB'000	*RMB'000 (Unaudited)*
Payroll payables		12,139	12,356
Contract liabilities	*(a)*	18,360	18,368
Payables for purchase of property, plant and equipment		34,467	18,106
Other payables	*(b)*	14,844	12,388
Tax payables		976	1,222
Total		80,786	62,440

Notes:

(a) Details of contract liabilities are as follows:

	As at 31 December 2023	As at 30 September 2024
	RMB'000	*RMB'000 (Unaudited)*
Short-term advances received from customers		
Technical services	18,360	18,368

Contract liabilities include advances received for technical services. The increase in contract liabilities during the Relevant Period and nine months ended 30 September 2024 was mainly due to the increase in short-term advances received from customers in relation to the provision of technical services during the Relevant Period and nine months ended 30 September 2024.

(b) Other payables primarily consist of accrued or invoiced but unpaid fees for services from contract research organisations ("CROs") and contract development manufacture organisations ("CDMOs").

The Company

		As at 31 December 2023	As at 30 September 2024
		RMB'000	*RMB'000 (Unaudited)*
Payroll payables		7,994	8,916
Contract liabilities		–	8
Payables for purchase of property, plant and equipment		34,109	17,827
Other payables	*(a)*	11,534	10,946
Tax payables		795	1,066
Total		54,432	38,763

Note:

(a) Other payables primarily consist of accrued or invoiced but unpaid fees for services from contract research organisations ("CROs") and contract development manufacture organisations ("CDMOs").

22. INTEREST-BEARING BANK BORROWINGS

	As at 31 December			As at 30 September		
	2023			2024		
	Effective interest rate (%)	*Maturity*	*RMB'000*	*Effective interest rate (%)*	*Maturity*	*RMB'000 (Unaudited)*
Current						
Current portion of long term bank loans – secured *(a)*	3.95%	2024	30,825	3.10%-3.75%	2024-2025	26,812
Current portion of long term bank loans – secured and guaranteed *(b)*	3.96%	2024	14,267	3.61%-3.86%	2024-2025	13,977
Current portion of long term bank loans – unsecured	–	–	–	3.10%-3.45%	2024-2025	7,948
Bank loans – secured *(a)*	3.10%	2024	20,019	3.10%	2024-2025	40,034
Bank loans – unsecured	–	–	–	3.10%	2025	9,808
Total current			65,111			98,579
Non-current						
Bank loans – secured *(a)*	3.95%	2025-2026	30,750	3.10%-3.75%	2025-2026	34,750
Bank loans – secured and guaranteed *(b)*	3.96%	2025-2030	14,233	3.61%-3.86%	2025-2030	13,949
Bank loans – unsecured	–	–	–	3.10%-3.45%	2025-2026	31,680
Total non-current			44,983			80,379
Total			110,094			178,958

	As at 31 December	As at 30 September
	2023	2024
	RMB'000	*RMB'000 (Unaudited)*
Analysed into:		
Bank loans repayable:		
Within one year or on demand	65,111	98,579
In the second year	22,846	64,381
In the third to fifth years, inclusive	22,137	15,998
Total	110,094	178,958

Notes:

(a) These bank loans were pledged by the Group's building with carrying amounts of RMB187,078,000 and RMB182,905,000 (unaudited) as at 31 December 2023 and 30 September 2024, respectively.

(b) These bank loans were pledged by the Group's leasehold land with a carrying amounts of RMB53,066,000 and RMB52,213,000 (unaudited) as at 31 December 2023 and 30 September 2024, respectively and were guaranteed by a director of the Group.

23. DEFERRED TAX

The Group

The movements in deferred tax assets and liabilities during the Relevant Period and the nine months ended 30 September 2024 are as follows:

Deferred tax liabilities

	Right-of-use assets	Non-monetary investment	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2023	393	1,815	2,208
Deferred tax credited to profit or loss during the year *(Note 10)*	(223)	(907)	(1,130)
Gross deferred tax liabilities at 31 December 2023 and 1 January 2024	170	908	1,078
Deferred tax charged/(credited) to profit or loss during the period *(Note 10)* (unaudited)	184	(681)	(497)
Gross deferred tax liabilities at 30 September 2024 (unaudited)	354	227	581

Deferred tax assets

	Lease liabilities	Losses available for offsetting against future taxable profits	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January 2023	369	1,815	2,184
Deferred tax charged to profit or loss during the year *(Note 10)*	(222)	(907)	(1,129)
Gross deferred tax assets at 31 December 2023 and 1 January 2024	147	908	1,055
Deferred tax credited/(charged) to profit or loss during the period *(Note 10)* (unaudited)	207	(681)	(474)
Gross deferred tax assets at 30 September 2024 (unaudited)	354	227	581

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statements of financial position as at 31 December 2023 and 30 September 2024. The following is an analysis of the deferred tax balances for financial reporting purposes:

	As at 31 December 2023	As at 30 September 2024
	RMB'000	*RMB'000 (Unaudited)*
Net deferred tax assets recognised in the consolidated statements of financial position	–	–
Net deferred tax liabilities recognised in the consolidated statements of financial position	23	–

Deferred tax assets have not been recognised in respect of the following item:

	As at 31 December 2023	As at 30 September 2024
	RMB'000	*RMB'000 (Unaudited)*
Tax losses	810,058	1,049,524

The Group has tax losses arising in Mainland China of RMB810,058,000 and RMB1,049,524,000 (unaudited) as at 31 December 2023 and 30 September 2024, respectively, that will expire one to ten years for offsetting against its future taxable profits.

Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that enough taxable profits will be available against which the tax losses can be utilised.

The Company

The movements in deferred tax assets and liabilities during the Relevant Period and the nine months ended 30 September 2024 are as follows:

Deferred tax liabilities

	Right-of-use assets
	RMB'000
At 1 January 2023	171
Deferred tax credited to profit or loss during the year	(98)
Gross deferred tax liabilities at 31 December 2023 and 1 January 2024	73
Deferred tax charged to profit or loss during the period (unaudited)	91
Gross deferred tax liabilities at 30 September 2024 (unaudited)	164

Deferred tax assets

	Lease liabilities
	RMB'000
As at 1 January 2023	147
Deferred tax charged to profit or loss during the year	(97)
Gross deferred tax assets at 31 December 2023 and 1 January 2024	50
Deferred tax credited to profit or loss during the period (unaudited)	114
Gross deferred tax assets at 30 September 2024 (unaudited)	164

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statements of financial position as at 31 December 2023 and 30 September 2024. The following is an analysis of the deferred tax balances for financial reporting purposes:

	As at 31 December 2023	As at 30 September 2024
	RMB'000	*RMB'000 (Unaudited)*
Net deferred tax assets recognised in the statements of financial position	–	–
Net deferred tax liabilities recognised in the statements of financial position	23	–

Deferred tax assets have not been recognised in respect of the following item:

	As at 31 December	As at 30 September
	2023	2024
	RMB'000	*RMB'000 (Unaudited)*
Tax losses	296,990	454,927

The Company has tax losses arising in Mainland China of RMB296,990,000 and RMB454,927,000 (unaudited) as at 31 December 2023 and 30 September 2024, respectively, that will expire in one to ten years for offsetting against its future taxable profits.

Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that enough taxable profits will be available against which the tax losses can be utilised.

24. DEFERRED INCOME

The Group

	As at 31 December	As at 30 September
	2023	2024
	RMB'000	*RMB'000 (Unaudited)*
Income-related government grants	4,850	4,850
Asset-related government grants	27,980	28,980
Total	32,830	33,830

Movements of income-related government grants:

	Year ended 31 December	Nine months ended 30 September
	2023	2024
	RMB'000	*RMB'000 (Unaudited)*
At beginning of year/period	4,450	4,850
Government grants received	400	–
At end of year/period	4,850	4,850

Movements of asset-related government grants:

	Year ended 31 December	Nine months ended 30 September
	2023	2024
	RMB'000	*RMB'000 (Unaudited)*
At beginning of year/period	27,980	27,980
Government grants received	–	1,000
At end of year/period	27,980	28,980

During the Relevant Period, the Group received government grants of RMB400,000 to compensate for the expense arising from the Group's research projects. The grants related to income were recognised in profit or loss upon the compliance with the conditions attached to the grants and the government's acknowledgement of acceptance. The grants related to assets will be recognised in profit or loss over the expected useful life of the relevant asset by equal annual instalments upon the compliance with the conditions attached to the grants and the government's acknowledgement of acceptance.

The Company

	As at 31 December	As at 30 September
	2023	2024
	RMB'000	*RMB'000 (Unaudited)*
Income-related government grants	1,850	1,850
Asset-related government grants	24,980	24,980
Total	26,830	26,830

Movements of income-related government grants:

	Year ended 31 December	Nine months ended 30 September
	2023	2024
	RMB'000	*RMB'000 (Unaudited)*
At beginning of year/period	1,450	1,850
Government grants received	400	–
At end of year/period	1,850	1,850

Movements of asset-related government grants:

	Year ended 31 December	Nine months ended 30 September
	2023	2024
	RMB'000	*RMB'000 (Unaudited)*
At beginning and end of year/period	24,980	24,980

25. SHARE CAPITAL

Shares

	As at 31 December 2023		As at 30 September 2024	
	Numbers of shares	Amount	Numbers of shares	Amount
		RMB'000		*RMB'000 (Unaudited)*
Issued and fully paid:				
ordinary shares	49,973,075	49,973	54,417,110	54,417
Issued but not fully paid	2,073,119	2,073	2,073,119	2,073

A summary of movements in the Company's share capital is as follows:

	Notes	Number of shares in issue	Share capital
			RMB'000
At 1 January 2023		48,401,869	48,402
Capital injection	*(a)*	3,644,325	3,644
At 31 December 2023 and 1 January 2024		52,046,194	52,046
Capital injection (unaudited)	*(b)*	4,444,035	4,444
At 30 September 2024 (unaudited)		56,490,229	56,490

Notes:

(a) In August 2022, the Company entered into a capital increase agreement with Series B investors. In 2023, total capital of RMB108,001,000 was to be injected into the Company by the Series B investors for the initial subscription with approximately RMB1,571,000 and RMB106,430,000 credited to the Company's capital and reserves, respectively.

In July 2023, the Company issued a total of 2,073,000 shares of the Company to the employee stock ownership platform, Shanghai Luojun Enterprise Management Partnership Enterprise (Limited Partnership) ("Shanghai Luojun"). In 2023, total capital of RMB2,073,000 was to be injected into the Company by the employee stock ownership platform and credited to the Company's capital and was settled as at 31 December 2024.

(b) In July 2024, the Company entered into a capital increase agreement with Series C investors. According to the agreement, total capital of RMB425,700,000 was to be injected into the Company by the Series C investors for the initial subscription with approximately RMB5,035,000 and RMB420,665,000 credited to the Company's capital and reserves, respectively. During the nine months ended 30 September 2024, RMB375,700,000 of the total capital was contributed by these investors and approximately RMB4,444,000 and RMB371,256,000 credited to the Company's capital and reserves, respectively. The remaining balance of RMB50,000,000 was settled as at 23 October 2024.

26. RESERVES

The Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statements of changes in equity of the Historical Financial Information and the unaudited Interim Financial Information.

(a) Share premium

The share premium of the Group represents the difference between the par value of the shares issued and the consideration received.

(b) Share-based payment reserve

The share-based payment reserve comprises the fair value of restricted share units granted which are yet to be exercised, further details of which are included in note 28 to the Historical Financial Information and the unaudited Interim Financial Information.

The Company

		Share premium	Share-based payment reserve	Accumulated losses	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023		1,255,113	–	(89,837)	1,165,276
Loss and total comprehensive loss for the year		–	–	(104,102)	(104,102)
Capital injection	*(a)*	118,680	–	–	118,680
Conversion into a joint stock company	*(b)*	(120,695)	–	120,695	–
At 31 December 2023 and 1 January 2024		1,253,098	–	(73,244)	1,179,854
Loss and total comprehensive loss for the period (unaudited)		–	–	(184,017)	(184,017)
Capital injection (unaudited)		371,256	–	–	371,256
Equity-settled share-based payment expense (unaudited)		–	113,193	–	113,193
At 30 September 2024 (unaudited)		1,624,354	113,193	(257,261)	1,480,286

Notes:

(a) A summary of the movements in the Company's share capital and reserves arising from the capital injection by the Series B investors and Shanghai Luojun is included in note 25 to the Historical Financial Information and the unaudited Interim Financial Information. During the Relevant Period, the proceeds of RMB12,500,000 from Dr. Liu Yanjun was credited to the Company's share premium.

(b) The Company was converted into a joint stock company with limited liability under the Company Law of the PRC on 26 July 2023. Accumulated losses of RMB120,695,000 were converted to the Company's share premium.

27. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the year ended 31 December 2023 and the nine months ended 30 September 2023 and 2024, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB180,000, RMB180,000 (unaudited) and RMB2,460,000 (unaudited), respectively, in respect of lease agreements.

(b) Changes in liabilities arising from financing activities

Year ended 31 December 2023

	Interest-bearing bank borrowings	Lease liabilities
	RMB'000	*RMB'000*
At 1 January 2023	101,328	2,531
Changes in financing cash flows	4,445	(1,763)
New leases	–	180
Interest expense	4,321	73
At 31 December 2023	110,094	1,021

Nine months ended 30 September 2023

	Interest-bearing bank borrowings	Lease liabilities
	RMB'000 *(unaudited)*	*RMB'000* *(unaudited)*
At 1 January 2023	101,328	2,531
Changes in financing cash flows	(4,529)	(1,491)
New leases	–	180
Interest expense	3,278	61
At 30 September 2023	100,077	1,281

Nine months ended 30 September 2024

	Interest-bearing bank borrowings	Lease liabilities
	RMB'000 *(unaudited)*	*RMB'000* *(unaudited)*
At 1 January 2024	110,094	1,021
Changes in financing cash flows	64,883	(1,153)
New leases	–	2,460
Interest expense	3,981	49
At 30 September 2024	178,958	2,377

(c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statements of cash flows is as follows:

	Year ended 31 December	Nine months ended 30 September	
	2023	2023	2024
	RMB'000	*RMB'000* *(Unaudited)*	*RMB'000* *(Unaudited)*
Within operating activities	93	58	114
Within financing activities	1,763	1,491	1,153
Total	1,856	1,549	1,267

28. SHARE-BASED PAYMENT TRANSACTIONS

The Company adopted the restricted share unit scheme ("RSU") pursuant to the resolutions passed on 16 August 2023, for the purpose of recognising the contributions by the employees, directors, officers, advisors and consultants of any member of the Group by providing them with incentives in order to retain them for the continual operation and development of the Group and attracting suitable personnel for further development of the Group.

On the grant date of 5 January 2024, the employee stock ownership platform, Shanghai Luoxu Enterprise Management Partnership Enterprise (Limited Partnership), granted restricted shares to 18 employees. The number of restricted shares granted to the incentive objects under this incentive plan is 504,328.55, including 467,239.50 RSUs and 37,089.05 RSUs granted to 17 employees who joined the Group prior to or on 5 January 2020 and 1 employee who joined the Group after 5 January 2020, respectively. The RSUs to grantees who joined the Group prior to or on 5 January 2020 were granted at an exercise price of RMB1.15, which can be exercised on the date of the successful [**REDACTED**] (Batch 1-a). The RSUs to grantees who joined the Group after 5 January 2020 were granted at an exercise price of RMB1.15, and shall vest in the portions of 20%, 20%, 30% and 30% on the first, second, third and fourth anniversaries of the joining date of the employee (Batch 1-b). Each vested RSU shall not be exercisable until the later of the following: (i) the date such RSU has vested and (ii) the successful [**REDACTED**].

On the grant date of 5 January 2024, the employee stock ownership platform, Shanghai Luojun Enterprise Management Partnership Enterprise (Limited Partnership), granted restricted shares to 43 employees. The number of restricted shares granted to the incentive objects under this incentive plan is 2,073,119.00, including 2,056,119.00 RSUs and 17,000.00 RSUs granted to 38 employees who joined the Group prior to or on the issue date of Series B preferred shares and 5 employees who joined the Group after the issue date of Series B preferred shares, respectively. The RSUs to grantees who joined the Group prior to or on issue date of Series B preferred shares were granted at an exercise price of RMB9.36, and shall vest in the portions of 20%, 20%, 30% and 30% on the first, second, third and fourth anniversaries of the issue date of Series B preferred shares (Batch 2-a). Each vested RSU shall not be exercisable until the later of the following: (i) the date such RSU has vested and (ii) the successful [**REDACTED**]. The RSUs to grantees who joined the Group after the issue date of Series B preferred shares were granted at an exercise price of RMB9.36, and shall vest in the portions of 20%, 20%, 30% and 30% on the first, second, third and fourth anniversaries of the joining dates of the employees (Batch 2-b). Each vested RSU shall not be exercisable until the later of the following: (i) the date such RSU has vested and (ii) the successful [**REDACTED**].

On the grant date of 5 January 2024, the employee stock ownership platform, Ningbo Hongsheng Enterprise Management Partnership Enterprise (Limited Partnership), granted restricted shares to 20 employees. The number of restricted shares granted to the incentive objects under this incentive plan is 909,081.00, including 887,193.96 RSUs and 21,887.04 RSUs granted to 13 employees who joined the Group prior to or on the issue date of Series B preferred shares and 7 employees who joined the Group after the issue date of Series B preferred shares, respectively. The RSUs to grantees who joined the Group prior to or on issue date of Series B preferred shares were granted at an exercise price of RMB8.10, and shall vest in the portions of 20%, 20%, 30% and 30% on the first, second, third and fourth anniversaries of the issue date of Series B preferred shares (Batch 3-a). Each vested RSU shall not be exercisable until the later of the following: (i) the date such RSU has vested and (ii) the successful [**REDACTED**]. The RSUs to grantees who joined the Group after the issue date of Series B preferred shares were granted at an exercise price of RMB8.10 (Batch 3-b), and shall vest in the portions of 20%, 20%, 30% and 30% on the first, second, third and fourth anniversaries of the joining dates of the employees. Each vested RSU shall not be exercisable until the later of the following: (i) the date such RSU has vested and (ii) the successful [**REDACTED**].

The fair value of the RSUs granted during the year was RMB267,398,000 (unaudited), of which the Group recognised an equity-settled share-based payment expense of RMB113,193,000 (unaudited) during the nine months ended 30 September 2024 under the RSU Scheme.

The following restricted shares were outstanding during the Relevant Period and the nine months ended 30 September 2024:

	Number of shares authorised
	'000
As at 1 January 2023	–
As at 31 December 2023 and 1 January 2024	–
Granted during the period (unaudited)	3,487
As at 30 September 2024 (unaudited)	3,487

The exercise prices and the fair value at grant date of the restricted stocks outstanding as at the end of the nine months ended 30 September 2024 are as follows:

As at 30 September 2024

	Number of shares outstanding	Exercise price	Fair value at grant date
	'000 (unaudited)	*RMB per share (unaudited)*	*RMB per share (unaudited)*
Batch 1-a	467	1.15	83.39
Batch 1-b	37	1.15	83.39
Batch 2-a	2,056	9.36	75.18
Batch 2-b	17	9.36	75.18
Batch 3-a	887	8.10	76.44
Batch 3-b	23	8.10	76.44
Total	3,487		

The fair value of the restricted stocks granted was estimated as at the date of grant using recent transaction price, taking into account the terms and conditions upon which the RSUs were granted.

29. CONTINGENT LIABILITIES

As of 31 December 2023 and 30 September 2024, the Group did not have any material contingent liabilities.

30. COMMITMENTS

The Group had the following contractual commitments at the end of the Relevant Period and the nine months ended 30 September 2024.

	As at 31 December 2023	As at 30 September 2024
	RMB'000	*RMB'000 (Unaudited)*
Property, plant and equipment	101,880	104,311

31. RELATED PARTY TRANSACTIONS

(a) Name and relationship:

Name of related party	Relationship with the Group
ABLINK Biotechnology Co., Ltd. 成都盛世君聯生物技術有限公司	Associate
Shanghai Luojun Enterprise Management Partnership Enterprise (Limited Partnership) 上海羅君管理諮詢合夥企業(有限合夥)	An entity controlled by a shareholder with significant influence over the Group
Lumosa Therapeutics Co., Ltd. 順天醫藥生技股份有限公司	Mutual key management personnel of the Group and the entity
Ningbo Hongsheng Enterprise Management Partnership Enterprise (Limited Partnership) 寧波鴻晟企業管理合夥企業(有限合夥)	An entity controlled by a shareholder with significant influence over the Group
Ms. Cai Qingqing 蔡清清	A supervisor of the Group

(b) The Group and the Company had the following transactions with related parties during the Relevant Period and the nine months ended 30 September 2023 and 2024:

	Year ended 31 December	Nine months ended 30 September	
	2023	2023	2024
	RMB'000	*RMB'000 (Unaudited)*	*RMB'000 (Unaudited)*
Purchases of products and services			
ABLINK Biotechnology Co., Ltd.	1,382	1,382	297
Lumosa Therapeutics Co., Ltd.	475	364	337

The pricing of services was made according to the published prices and conditions similar to those offered to the major customers of the suppliers.

(c) Outstanding balances with related parties:

The Group

	Year ended 31 December	Nine months ended 30 September
	2023	2024
	RMB'000	*RMB'000 (Unaudited)*
Non-trade:		
Prepayments, other receivables and other assets		
Ningbo Hongsheng Enterprise Management Partnership Enterprise (Limited Partnership)	20	20
Ms. Cai Qingqing	20	20
Shanghai Luojun Enterprise Management Partnership Enterprise (Limited Partnership)	2,073	2,073
Total	2,113	2,113

The Company

	Year ended 31 December	Nine months ended 30 September
	2023	2024
	RMB'000	*RMB'000 (Unaudited)*
Non-trade:		
Prepayments, other receivables and other assets		
Ningbo Hongsheng Enterprise Management Partnership Enterprise (Limited Partnership)	20	20
Shanghai Luojun Enterprise Management Partnership Enterprise (Limited Partnership)	2,073	2,073
Total	2,093	2,093

(d) Compensation of key management personnel of the Group

	Year ended 31 December	Nine months ended 30 September	
	2023	2023	2024
	RMB'000	*RMB'000 (Unaudited)*	*RMB'000 (Unaudited)*
Short term employee benefits	6,226	4,654	4,769
Post-employment benefits	787	602	614
Equity-settled share-based payment expense	–	–	83,930
Total compensation paid to key management personnel	7,013	5,256	89,313

Further details of directors' and the chief executive's emoluments are included in note 8 to the Historical Financial Information and the unaudited Interim Financial Information.

32. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Period and the nine months ended 30 September 2024 are as follows:

The Group

Financial assets

	As at 31 December 2023	As at 30 September 2024
	RMB'000	*RMB'000 (Unaudited)*
Financial assets at amortised cost:		
Trade receivables	2,000	2,000
Financial assets included in prepayments, other receivables and other assets	2,496	1,205
Cash and bank balances	321,671	552,143
Total	326,167	555,348

Financial liabilities

	As at 31 December 2023	As at 30 September 2024
	RMB'000	*RMB'000 (Unaudited)*
Financial liabilities at amortised cost:		
Interest-bearing bank borrowings	110,094	178,958
Financial liabilities included other payables and accruals *(note 21)*	49,311	30,494
Total	159,405	209,452

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	As at 31 December 2023	As at 30 September 2024	As at 31 December 2023	As at 30 September 2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities				
Interest-bearing bank borrowings – non-current	44,983	80,379	47,738	80,441

Management has assessed that the fair values of cash and bank balances, trade receivables, financial assets included in prepayments, other receivables and other assets (in the current portion), financial liabilities included in other payables and accrual and interest-bearing bank borrowings (in the current portion) approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the finance director is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of each of the Relevant Period and the nine months ended 30 September 2024, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The directors review the results of the fair value measurement of financial instruments periodically for 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 the non-current portion of financial assets included in prepayments, other receivables and other assets and interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank borrowings at 31 December 2023 and 30 September 2024 was assessed to be insignificant. Management has assessed that the fair values of the non-current portion of bank borrowings with floating interest rates approximate to their carrying amounts because the interest rates are adjusted periodically by reference to the fair market interest rates.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Liabilities for which fair values are disclosed:

As at 31 December 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*
Interest-bearing bank borrowings	–	47,738	–	47,738

As at 30 September 2024

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank borrowings	–	80,441	–	80,441

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents, trade receivables, and financial assets included in prepayments, other receivables and other assets. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets and liabilities such as trade receivables, trade payables, financial assets included in prepayments, other receivables and other assets and financial liabilities included in other payables and accruals, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, 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 summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates primarily to the Group's bank borrowings with a floating interest rate.

The following table demonstrates the sensitivity at the end of the Relevant Period and the nine months ended 30 September 2024 to a reasonably possible change in interest rates, with all other variables held constant, of the Group's loss before tax (through the impact on floating rate borrowings) and the Group's equity (excluding retained profits):

	Increase/(decrease) in basis points	Increase/(decrease) in loss before tax	Increase/(decrease) in equity
		RMB'000	*RMB'000*
31 December 2023	50	1,203	1,033
30 September 2024	50	1,224	1,040

Foreign currency risk

The Group's major businesses are in Mainland China and the majority of the transactions are conducted in RMB. Most of the Group's assets and liabilities are denominated in RMB. The Group does not have material foreign currency risk during the Relevant Period and the nine months ended 30 September 2024.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In 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 financial assets, which comprise cash and cash equivalents, restricted cash, trade receivables, and financial assets included in prepayments, other receivables and other assets, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

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 of the Relevant Period and the nine months ended 30 September 2024.

The amounts presented are gross carrying amounts for financial assets.

As at 31 December 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 receivables*	–	–	–	2,000	2,000
Financial assets included in prepayments, other receivables and other assets – normal**	2,496	–	–	–	2,496
Cash and bank balances – not yet past due	321,671	–	–	–	321,671
Total	324,167	–	–	2,000	326,167

As at 30 September 2024

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000 (Unaudited)	*RMB'000 (Unaudited)*	*RMB'000 (Unaudited)*	*RMB'000 (Unaudited)*	*RMB'000 (Unaudited)*
Trade receivables*	–	–	–	2,000	2,000
Financial assets included in other receivables and other assets – normal**	1,205	–	–	–	1,205
Cash and bank balances – not yet past due	552,143	–	–	–	552,143
Total	553,348	–	–	2,000	555,348

* For trade receivables to which the Group applies the simplified approach for impairment, information is disclosed in note 18 to the Historical Financial Information and the unaudited Interim 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. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 18 to the Historical Financial Information and the unaudited Interim Financial Information.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There is concentration in credit risk as the balances are with a few counterparties. Except for cash and bank balances, the other balances are not material.

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations in cash flows.

The maturity profile of the Group's financial liabilities and lease liabilities as at the end of each of the Relevant Period and the nine months ended 30 September 2024, based on the contractual undiscounted payments, is as follows:

The Group

	As at 31 December 2023			
	Less than 1 year or on demand	1 to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Lease liabilities	943	100	–	1,043
Financial liabilities included in other payables and accruals	49,311	–	–	49,311
Interest-bearing bank borrowings	68,888	50,231	1,372	120,491
Total	119,142	50,331	1,372	170,845

	As at 30 September 2024			
	Less than 1 year or on demand	1 to 5 years	Over 5 years	Total
	RMB'000 (Unaudited)	*RMB'000 (Unaudited)*	*RMB'000 (Unaudited)*	*RMB'000 (Unaudited)*
Lease liabilities	1,382	1,077	–	2,459
Financial liabilities included in other payables and accruals	30,494	–	–	30,494
Interest-bearing bank borrowings	103,112	84,458	730	188,300
Total	134,988	85,535	730	221,253

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Period and the nine months ended 30 September 2024.

The Group monitors capital using a gearing ratio, which is total debt divided by the total assets. Total debt includes current liabilities and non-current liabilities. Total assets include current assets and non-current assets.

The gearing ratios as at the end of each of the Relevant Period and the nine months ended 30 September 2024 are as follows:

	As at 31 December	As at 30 September
	2023	2024
	RMB'000	*RMB'000 (Unaudited)*
Total debt	224,754	277,605
Total assets	973,880	1,252,460
Gearing ratio	23.08%	22.16%

35. EVENTS AFTER THE RELEVANT PERIOD

In December 2024, the Company entered into a capital increase agreement with Series C+ investors. Series C+ investors agreed to subscribe for the increased registered capital of RMB532,290 of our Company at a total consideration of RMB45,000,000.

36. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 30 September 2024.

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

The following is the text of a letter, a summary of values and valuation certificates prepared for the purpose of incorporation in this document received from AVISTA Valuation Advisory Limited, an independent valuer, in connection with its valuation as at 30 November 2024 of the property interests held by the Company.

AVISTA Valuation Advisory
艾華迪評估諮詢

Suites 2401-06, 24/F, Everbright Centre, 108 Gloucester Road,
Wan Chai, Hong Kong

TEL：+852 3702 7338 FAX ：+852 3914 6388
info@avaval.com
www.avaval.com

[●] 2025

The Board of Directors
Shanghai Bao Pharmaceuticals Co., Ltd. (上海寶濟藥業股份有限公司)
No. 28 Luoxin Road, Baoshan District
Shanghai, PRC

Dear Sirs/Madams,

INSTRUCTIONS

In accordance with the instructions of Shanghai Bao Pharmaceuticals Co., Ltd. (上海寶濟藥業股份有限公司) (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") for us to carry out the valuation of the property interests (the "Properties") located in the People's Republic of China (the "PRC") held by the Company, we confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Properties as at 30 November 2024 (the "Valuation Date").

BASIS OF VALUATION AND VALUATION STANDARDS

Our valuation is carried out on a market value basis, which is defined by the Royal Institution of Chartered Surveyors as "*the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion*".

In valuing the Properties, we have complied with all the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the RICS Valuation — Global Standards published by the Royal Institution of Chartered Surveyors ("RICS") and the International Valuation Standards published from time to time by the International Valuation Standards Council.

CATEGORISATION OF PROPERTY INTERESTS

In the course of our valuation, the appraised Properties have been categorized according firstly to type of interests held by the Company, which in turn being classified into the following groups:

Group I — Property interests held for owner occupation by the Company in the PRC

Group II — Property interests held for development by the Company in the PRC

VALUATION ASSUMPTIONS

Our valuation of the Properties excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value or costs of sale and purchase or offset for any associated taxes.

No allowance has been made in our report for any charges, mortgages or amounts owing on any of the Properties valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In the course of our valuation of the Properties in the PRC, we have relied on the advice given by the Group and its legal advisor, being Beijing DeHeng Law Offices (北京德恒律師事務所) (the "PRC Legal Advisor"), regarding the titles to the Properties.

In valuing the Properties, we have relied on a legal opinion regarding the Properties provided by the PRC Legal Advisor dated [●] (the "PRC Legal Opinion"). Unless otherwise stated, the Company has legally obtained the land use rights of the Properties.

No environmental impact study has been ordered or made. Full compliance with applicable national, provincial and local environmental regulations and laws is assumed.

VALUATION METHODOLOGY

In valuing the property interests in Group I, due to the nature of the buildings and structures of the subject property, there are no market sales comparables readily available. We have valued the property interests on the basis of their depreciated replacement cost. Depreciated replacement cost is defined as "*the current cost of replacing an asset with its modern equivalent asset less deduction for physical deterioration and all relevant forms of obsolescence and optimization*". It is based on an estimation of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the building, including the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization.

In valuing the property interests in Group II, where the corresponding property was under construction as at the Valuation Date, we have assumed that it will be developed and completed in accordance with the latest development proposals provided to us by the Group. We have assumed that approvals for the proposals have been obtained. In arriving at our opinion of values, we have adopted the comparison approach by making references to land comparable sales evidence as available in the relevant market and have also taken into account the accrued construction cost and professional fees relevant to the stage of construction as at the Valuation Date and the remainder of the cost and fees expected to be incurred for completing the developments. We have relied on the accrued construction cost and professional fees information provided by the Group for the different stages of construction of the subject properties as at the Valuation Date, and we did not find any material inconsistency from those of other similar developments.

TITLE INVESTIGATION

We have been provided with copies of documents in relation to the title of the Properties in the PRC. Where possible, we have examined the original documents to verify the existing title to the Properties in the PRC and any material encumbrance that might be attached to the Properties or any tenancy amendment. All documents have been used for reference only and all dimensions, measurements and areas are approximate. In the course of our valuation, we have relied considerably on the PRC Legal Opinion given by the PRC Legal Advisor, concerning the validity of the title of the Properties in the PRC.

SITE INVESTIGATION

We have inspected the exteriors and, where possible, the interior of the subject properties. The site inspection was carried out on 10 December 2024 by Turman Cheung (Assistant Manager) and Yerna Liu (Analyst). They have more than 3 years' experience in valuation of properties in the PRC.

In the course of our inspection, we did not note any serious defects. However, we have not carried out an investigation on site to determine the suitability of ground conditions and services for any development thereon, nor have we conducted structural surveys to ascertain whether the subject properties are free of rot, infestation, or any other structural defects. Additionally, no tests have been carried out on any of the utility services. Our valuation has been prepared on the assumption that these aspects are satisfactory. We have further assumed that there is no significant pollution or contamination in the locality which may affect any future developments.

SOURCE OF INFORMATION

Unless otherwise stated, we shall rely to a considerable extent on the information provided to us by the Group or the PRC Legal Advisor or other professional advisers on such matters as statutory notices, planning approvals, zoning, easements, tenures, completion date of buildings, development proposal, identification of the properties, particulars of occupation, site areas, floor areas, matters relating to tenure, tenancies and all other relevant matters.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view and we have no reason to suspect that any material information has been withheld.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

LIMITING CONDITION

Wherever the content of this report is extracted and translated from the relevant documents supplied in Chinese context and there are discrepancies in wordings, those parts of the original documents will take prevalent.

CURRENCY

Unless otherwise stated, all monetary amounts stated in this report are in Renminbi (RMB).

Our valuations are summarized below, and the valuation certificates are attached.

Yours faithfully,
For and on behalf of
AVISTA Valuation Advisory Limited
Vincent C B Pang
MRICS CFA FCPA FCPA Australia
RICS Registered Valuer
Managing Partner

Note: Mr. Vincent C B Pang is a member of Royal Institution of Chartered Surveyors (RICS) and a registered valuer of RICS. He has over 10 years' experience in valuation of properties including Hong Kong, the PRC, the U.S., and East and Southeast Asia.

SUMMARY OF VALUES

Group I — Property interests held for owner occupation by the Company in the PRC

No.	Property	Market value in existing state as at 30 November 2024	Interest Attributable to the Company	Market value Attributable to the Company as at 30 November 2024
		RMB		*RMB*
1.	No. 28 and 50 Luoxin Road Baoshan District Shanghai City the PRC (中國上海市寶山區羅新路28及50號)	186,650,000	100%	186,650,000
	Sub-total:	**186,650,000**		**186,650,000**

Group II — Property interests held for development by the Company in the PRC

No.	Property	Market value in existing state as at 30 November 2024	Interest Attributable to the Company	Market value Attributable to the Company as at 30 November 2024
		RMB		*RMB*
2.	No. 555 Luoxin Road (East) Baoshan District Shanghai City the PRC (中國上海市寶山區羅新東路555號)	311,960,000	100%	311,960,000
	Sub-total:	**311,960,000**		**311,960,000**
	Grand-total:	**498,610,000**		**498,610,000**

VALUATION CERTIFICATE

Group I — Property interests held for owner occupation by the Company in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 November 2024
				RMB
1.	No. 28 and 50 Luoxin Road Baoshan District Shanghai City the PRC (中國上海市寶山區羅新路28及50號)	The property comprises seven 1- to 3-storey industrial buildings, with a total gross floor area of approximately 23,974.13 sq.m. The property was held for owner occupation as at the Valuation Date. As advised by the Group, the property was completed in 2007. The classification, usage and area details are set out in Note 3. The property is located at Luoxin Road in Baoshan District of Shanghai City, with approximately 5 km to Meilan Lake Station of Shanghai Metro and 35 km to Shanghai Hongqiao International Airport. The land use rights of the property have been granted for a term expiring on 13 December 2055 for industrial use.	The property was occupied by the Group as at the Valuation Date for biopharmaceutical purpose.	186,650,000 (100% interest attributable to the Company: 186,650,000)

Notes:

1. Pursuant to a sale and purchase agreement dated 6 September 2021 (the "S&P") between Shanghai Jingfeng Pharmaceutical Co., Ltd. (上海景峰製藥有限公司, "Shanghai Jingfeng") and Shanghai Bao Pharmaceuticals Co., Ltd. (上海寶濟藥業股份有限公司, formerly known as 上海寶濟藥業有限公司, the "Company"), the property was contracted to be purchased by the Company at a total consideration of RMB203,000,000.

2. Pursuant to a Real Estate Ownership Certificate — Hu (2023) Bao Zi Bu Dong Chan Quan Di No. 038465 issued by the Shanghai Bureau of Natural Resources Title Confirmation and Registration (上海市自然資源確權登記局), the land use rights of the property with a total site area of approximately 62,777.10 sq.m. for a term expiring on 13 December 2055 for industrial use and the building ownership of the property with a total gross floor area of approximately 23,974.13 sq.m. for industrial use have been vested in the Company.

3. As advised by the Group, the details of the property are set out as below:

Classification	Usage	Gross Floor Area
		(sq.m.)
Group I — Property interests held for owner occupation by the Company in the PRC	Industrial	22,634.62
	Ancillary Facilities	1,339.51
	Total:	**23,974.13**

4. We have been provided with the PRC Legal Opinion, which contains, inter alia, the following:—

   a. The Company has obtained the land use rights and the building ownership of the property under the terms of the Real Estate Ownership Certificate;

   b. In addition to the building with a total gross floor area of approximately 23,974.13 sq.m., there are three unfinished buildings (the "Construction-in-progress") and temporary structures with a total gross floor area of approximately 500 sq.m. (the "Temporary Structures") on the site for which proper ownership certificates have not been issued.

      i. According to the S&P, buildings without proper ownership certificates were excluded from the transaction. As per the relevant construction permits, the Construction-in-progress was constructed by Shanghai Jingfeng. The Company was neither involved in the construction process, occupation or use of the Construction-in-progress, nor the owner of the Construction-in-progress. In the event of any administrative penalties related to the Construction-in-progress, the liable parties would be Shanghai Jingfeng and the construction works contractor, as confirmed by local governmental authorities.

         As of the Latest Practicable Date, the Company has not received any rectification instructions, or been investigated or penalized in related to breaches of laws. The risk of administrative penalties is deemed low, with no significant adverse impact foreseen on the Company's production and operations; and

      ii. The Temporary Structures are not utilized for major production or operation activities. The Company has not been penalized in related to the Temporary Structures. No significant adverse impact is foreseen on the Company's production and operations.

   c. The property has been pledged to Baoshan Branch of Shanghai Pudong Development Bank Co., Ltd. (上海浦東發展銀行股份有限公司寶山支行).

5. In the course of our valuation, we assume that the property is transferable without legal impediment.

6. Our valuation has been made on the following basis and analysis:

   In our valuation of the land use rights, we have considered and analyzed 4 land sale comparables in the vicinity. The adjusted site values of the land sales range from RMB1,790 to RMB2,850 per sq.m. for industrial use. The unit rate adopted in the valuation is consistent with the unit rates of the relevant comparables after due adjustments in terms of location, time and size, etc.

   Regarding the building portion, the current replacement cost of the building is assessed by determining the construction cost of a modern substitute building with the same service capacity as the building which is being valued. The adjusted replacement costs range from RMB3,980 per sq.m. to RMB4,160 per sq.m. for fully fitted industrial buildings and from RMB3,790 per sq.m. to RMB3,960 per sq.m. for bare-shell industrial buildings based on our research of the local construction costs. The replacement cost adopted in the valuation is consistent with the findings of our research.

VALUATION CERTIFICATE

Group II — Property interests held for development by the Company in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 November 2024
				RMB
2.	No. 555 Luoxin Road (East) Baoshan District Shanghai City the PRC (中國上海市寶山區羅新東路555號)	The property comprises a parcel of land with a site area of approximately 36,860.50 sq.m. which is being developed into an industrial development. As at the Valuation Date, the property was under development and was scheduled to be completed and operational in Q2 2026. Upon completion, the property will have a total planned gross floor area of approximately 73,605.86 sq.m. As advised by the Group, the total construction cost of the property was estimated to be approximately RMB425,958,825 of which RMB318,347,604 had been paid as at the Valuation Date. The classification, usage and area details are set out in Note 6. The property is located at Luoxin Road (East) in Baoshan District of Shanghai City, with approximately 5 km to Meilan Lake Station of Shanghai Metro and 35 km to Shanghai Hongqiao International Airport. The land use rights of the property have been granted for a term expiring on 16 August 2070 for industrial use.	As at the Valuation Date, the property was under construction.	311,960,000 (100% interest attributable to the Company: 311,960,000)

Notes:

1. Pursuant to a Land Use Rights Grant Contract — Hu Bao Gui Hua Zi Yuan (2020) Chu Rang He Tong Di No. 28 dated 6 August 2020 between the Shanghai Baoshan Municipal Bureau of Planning and Natural Resources (上海市寶山區規劃和自然資源局) and Shanghai Bao Pharmaceuticals Co., Ltd. (上海寶濟藥業股份有限公司, formerly known as 上海寶濟藥業有限公司, the "Company"), the land use rights of a parcel of land with a site area of approximately 36,860.50 sq.m. have been granted to the Company for a term of 50 years for industrial use at a total land premium of approximately RMB55,300,000.

As revealed from the aforesaid contract, the property is subject to the following material development conditions:

Permitted Use	:	Industrial
Plot Ratio	:	2.0
Maximum Permitted Gross Floor Area	:	74,507.61 sq.m.
Height Restriction	:	≦30m
Minimum Site Coverage of Greenery	:	20%
Other Material Restrictions	:	The Company is prohibited from constructing buildings for non-production purposes, such as houses, residential flats or hostels.

2. Pursuant to a Real Estate Ownership Certificate (for land) — Hu (2023) Bao Zi Bu Dong Chan Quan Di No. 038464 issued by the Shanghai Bureau of Natural Resources Title Confirmation and Registration (上海市自然資源確權登記局), the land use rights of the property with a total site area of approximately 36,860.50 sq.m. have been granted to the Company, for a term expiring on 16 August 2070 for industrial use.

3. Pursuant to a Construction Land Planning Permit — Hu Bao Di (2020) No. EA310113202000636, permission for the planning of a land parcel with a total site area of approximately 36,860.50 sq.m. has been granted to the Company.

4. Pursuant to a Construction Works Planning Permit — Hu Bao Jian (2021) No. FA310113202100559 in favour of the Company, the construction work of the property with a total gross floor area of approximately 74,507.61 sq.m. has been approved for construction.

   Further pursuant to a legal document — Hu Bao Gui Hua Zi Yuan Xu Jian Bian [2023] No. 68, the Shanghai Baoshan Municipal Bureau of Planning and Natural Resources (上海市寶山區規劃和自然資源局) has approved the application of the Company to relax the maximum permitted gross floor area from approximately 74,507.61 sq.m. to approximately 74,723.21 sq.m.

5. Pursuant to a Construction Work Commencement Permit — No. 310113202404080101 in favour of the Company, permission has been given by the relevant local authority to commence the construction work of the property with a total gross floor area of approximately 74,723.21 sq.m.

6. Pursuant to 2 Land and Building Title Investigation Reports — Fang-Bao Ce-24-4663 and Fang-Bao Ce-23-4745 issued by the Real Estate Trade Center of Baoshan District, the total gross floor area of the property was surveyed to be approximately 73,605.86 sq.m.

7. As advised by the Group, the details of the property are set out as below:

Classification	Usage	Gross Floor Area
		(sq.m.)
Group II — Property interests held for development by the Company in the PRC	Industrial	56,739.97
	Ancillary Facilities	11,690.59
	Carpark	5,175.30
	Total:	**73,605.86**

8. We have been provided with the PRC Legal Opinion, which contains, inter alia, the following:—

   a. The Company has obtained the land use rights of the property under the terms of the Real Estate Ownership Certificate;

   b. The Company has obtained the necessary approvals and permissions for the corresponding stages of the construction of the property; and

   c. The property has been pledged to Shanghai Rural Commercial Bank Co., Ltd. (Branch in Songjiang) (上海農村商業銀行股份有限公司松江支行).

9. In the course of our valuation, we assume that the property is transferable without legal impediment.

10. Our valuation has been made on the following basis and analysis:

In our valuation of the land use rights, we have considered and analyzed 4 land sale comparables in the vicinity. The adjusted site values of the land sales range from RMB1,790 to RMB2,850 per sq.m. for industrial use. The unit rate adopted in the valuation is consistent with the unit rates of the relevant comparables after due adjustments in terms of location, time and size, etc.

Regarding the building portion, the current replacement cost of the building is assessed by determining the construction cost of a modern substitute building with the same service capacity as the building which is being valued. The adjusted replacement costs range from RMB3,790 per sq.m. to RMB3,960 per sq.m. for bare-shell industrial buildings and from RMB6,830 per sq.m. to RMB6,890 per sq.m. for basement based on our research of the local construction costs. The replacement cost adopted in the valuation is consistent with the findings of our research.

THE PRC TAXATION

Taxation on Dividends

Individual Investor

Pursuant to *the Individual Income Tax Law of the PRC* (《中華人民共和國個人所得税法》), which was most recently amended on August 31, 2018 and *the Implementation Provisions of the Individual Income Tax Law of the PRC* (《中華人民共和國個人所得税法實施條例》), which was most recently amended on December 18, 2018 (hereinafter collectively referred to as the "**IIT Law**"), dividends distributed by PRC enterprises are subject to individual income tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to individual income tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by relevant tax treaty.

Pursuant to *the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income* (《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》) (hereinafter referred to as 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》)) signed by the Mainland of China and the Hong Kong Special Administrative Region on August 21, 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 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 amount of dividends payable by the PRC company. *The Fifth Protocol to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income* (《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》) (the "**Fifth Protocol**" (《第五協議書》)) issued by the SAT and became effective on December 6, 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

In accordance with *the Enterprise Income Tax Law of the PRC* (《中華人民共和國企業所得税法》) issued by NPC on March 16, 2007 and latest amended on December 29, 2018 and *the Implementation Provisions of the Enterprise Income Tax Law of the PRC* (《中華人民共和國企業所得税法實施條例》) issued by the State Council on December 6, 2007, newly revised on December 6, 2024 and implemented on January 20, 2025, a non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income (including dividends received from a PRC resident enterprise), if it does not have an establishment or premise in the

PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. The aforesaid income tax payable for non-resident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise. Such withholding tax may be reduced or exempted pursuant to an applicable treaty for the avoidance of double taxation.

The Circular of the State Administration of Tax on Issues Relating to the Withholding and Remitting of Enterprise Income Tax by PRC Resident Enterprises on Dividends Distributed to Overseas Non-Resident Enterprise Shareholders of H Shares (《國家税務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得税有關問題的通知》), which was issued and implemented by the SAT on November 6, 2008, further clarified that a PRC-resident enterprise must withhold corporate income tax at a rate of 10% on the dividends paid to non-PRC resident enterprise holders of H Shares which are derived out of profit generated since 2008. Non-PRC resident enterprise shareholders who need to enjoy tax treaty benefits, the relevant provisions of such tax treaty shall apply.

Pursuant to the Arrangement for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, 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 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 amount of 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.

Although there may be other provisions under the Arrangement for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, the treaty benefits under the criteria shall not be granted in the circumstance where relevant gains, after taking into account all relevant facts and conditions, are reasonably deemed to be one of the main purposes for the arrangement or transactions which will bring any direct or indirect benefits under this Arrangement, except when the grant of benefits under such circumstance is consistent with relevant objective and goal under the Arrangement. The application of the dividend clause of tax agreements is subject to the requirements of PRC tax law and regulation, such as *the Notice of the State Administration of Taxation on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements* (《國家税務總局關於執行税收協定股息條款有關問題的通知》).

Tax Treaties

Non-resident investors residing in jurisdictions which have entered into treaties or adjustments for the avoidance of double taxation with the PRC might be entitled to a reduction of the Chinese corporate income tax imposed on the dividends received from PRC companies. The PRC currently has entered into Avoidance of Double Taxation Treaties or Arrangements with a number of countries and regions including Hong Kong Special Administrative Region, Macau Special Administrative Region, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant taxation treaties or arrangements are required to apply to the Chinese tax authorities for a refund of the corporate income tax in excess of the agreed tax rate, and the refund application is subject to approval by the Chinese tax authorities.

Taxation on Share Transfer

VAT and Local Additional Tax

Pursuant to *the Notice on Fully Implementing the Pilot Reform for the Transition from Business Tax to Value-added Tax* (《關於全面推開營業税改徵增值税試點的通知》) (the "**Circular 36**"), which was implemented on May 1, 2016 and partially repealed on July 1, 2017, January 1, 2018 and April 1, 2019, entities and individuals engaged in the services sale in the PRC are subject to Value-added Tax ("**VAT**") and "engaged in the services sale in the PRC" means that the seller or buyer of the taxable services is located in the PRC. Circular 36 also provides that transfer of financial products, including transfer of the ownership of marketable securities, shall be subject to VAT at 6% on the taxable revenue (which is the balance of sales price upon deduction of purchase price), for a general or a foreign VAT taxpayer. However, individuals who transfer financial products are exempt from VAT, which is also provided in *the Notice of Ministry of Finance and State Administration of Taxation on Several Tax Exemption Policies for Business Tax on Sale and Purchase of Financial Commodities by Individuals* (《財政部、國家税務總局關於個人金融商品買賣等營業税若干免税政策的通知》) effective on January 1, 2009. According to these regulations, if the holder is a non-resident individual, the PRC VAT is exempted from the sale or disposal of H shares; if the holder is a non-resident enterprise and the H-share buyer is an individual or entity located outside the PRC, the holder is not necessarily required to pay the PRC VAT, but if the H-share buyer is an individual or entity located in China, the holder may be required to pay the PRC VAT.

However, in view of no clear regulations, it is still uncertain whether the non-Chinese resident enterprises are required to pay the PRC VAT for the disposal of H shares in practice.

At the same time, VAT payers are also required to pay urban maintenance and construction tax, education surtax and local education surcharge, which shall be usually subject to 12% of the VAT payable (if any).

Income Tax

Individual Investors

According to the IIT Law, gains on the transfer of equity interests in the PRC resident enterprises are subject to individual income tax at a rate of 20%.

Pursuant to *the Circular on Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares* (《關於個人轉讓股票所得繼續暫免徵收個人所得税的通知》) issued by the SAT on March 30, 1998, from January 1, 1997, income of individuals from transfer of the shares of listed enterprises continues to be exempted from individual income tax. The SAT has not expressly stated whether it will continue to exempt tax on income of individuals from transfer of the shares of listed enterprises in the latest amended IIT Law.

However, on December 31, 2009, the MOF, SAT and CSRC jointly issued *the Circular on Related Issues on Levying Individual Income Tax over the Income Received by Individuals from the Transfer of Listed Shares Subject to Sales Limitation* (《關於個人轉讓上市公司限售股所得徵收個人所得税有關問題的通知》), which came into effect on January 1, 2010, which states that individuals' income from the transfer of listed shares obtained from the public offering of listed companies and transfer market on the Shanghai Stock Exchange and the Shenzhen Stock Exchange shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restriction (as defined in *the Supplementary Notice on Issues Concerning the Levy of Individual Income Tax on Individuals' Income from the Transfer of Restricted Stocks of Listed Companies* (《關於個人轉讓上市公司限售股所得徵收個人所得税有關問題的補充通知》) jointly issued and implemented by such departments on November 10, 2010). As of the Latest Practicable Date, no aforesaid provisions have expressly provided that individual income tax shall be levied from non-Chinese resident individuals on the transfer of shares in PRC resident enterprises listed on overseas stock exchanges.

Enterprise Investors

In accordance with the EIT Law, a non-resident enterprise is generally subject to corporate income tax at the rate of a 10% on PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. Such income tax payable for non-resident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise. Such tax may be reduced or exempted pursuant to relevant tax treaties or agreements on avoidance of double taxation.

Stamp Duty

According to *the Stamp Duty Law of the PRC* (《中華人民共和國印花税法》), which was promulgated on June 10, 2021 and came into effect on July 1, 2022, PRC stamp duty only applies to specific taxable document executed or received within the PRC, having legally binding force in the PRC and protected under the PRC laws, thus the requirements of the stamp duty imposed on the transfer of shares of PRC listed companies shall not apply to the acquisition and disposal of H Shares by non-PRC investors outside of the PRC.

Estate Duty

As of the date of this document, no estate duty has been levied in the PRC under the PRC laws.

PRINCIPAL TAXATION OF THE COMPANY IN THE PRC

EIT

According to the EIT Law, enterprises and other income-generating organizations (hereinafter collectively referred to as "an enterprise" or "enterprises") within the territory of the PRC 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%.

According to *the Administrative Measures for Determination of High and New Tech Enterprises* (《高新技術企業認定管理辦法》), which was promulgated by the MOST, the MOF and the SAT on April 14, 2008, amended on January 29, 2016 and became effective on January 1, 2016, an enterprise recognized as a high and new technology enterprise may apply for a preferential enterprise income tax rate of 15% pursuant to the relevant requirements of the EIT Law.

VAT

Pursuant to *the Interim Regulations on Value-added Tax of the PRC* (《中華人民共和國增值税暫行條例》) issued on December 13, 1993 by the State Council, came into effect on January 1, 1994, and revised on November 10, 2008, February 6, 2016 and November 19, 2017, as well as *the Implementation Rules for the Interim 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》) issued on December 25, 1993 by the MOF, came into effect on the same day and revised on December 15, 2008 and October 28, 2011, any entities and individuals engaged in the sale of goods, supply of processing, repair and replacement services, and import of goods within the territory of the PRC are taxpayers of VAT and shall pay the VAT in accordance with the law and regulation. Pursuant to the Notice on the Implementation of the Pilot Programme of Replace the Business Tax with VAT (《關於全面推開營業税改徵增值税試點的通知》) (Cai Shui [2016] No. 36) and its appendix the Measures for the Implementation of the Pilot Programme of Replacing Business Tax with VAT (《營業税改徵增值税試點實施辦法》), effective on 1 May 2016, the tax rates applied to the taxpayer

for the different goods it sells and different services it provides shall be 17%, 11%, 6% and zero, respectively. The MOF and the SAT issued *the Notice of on Adjusting VAT Rates* (《財政部、國家稅務總局關於調整增值稅稅率的通知》) on April 4, 2018 to adjust the tax rates of 17% and 11% applicable to any taxpayer's VAT taxable sale or import of goods to 16% and 10%, respectively, this adjustment became effect on May 1, 2018. Subsequently, the MOF, the SAT and the General Administration of Customs jointly issued *the Announcement on Relevant Policies for Deepening the VAT Reform* (《關於深化增值稅改革有關政策的公告》) on March 20, 2019 to make a further adjustment, which came into effect on April 1, 2019. The tax rate of 16% applicable to the VAT taxable sale or import of goods shall be adjusted to 13%, and the tax rate of 10% applicable thereto shall be adjusted to 9%.

TAXATION IN HONG KONG

Tax on dividends

Under the current practice of the Inland Revenue Department of Hong Kong, no tax is payable in Hong Kong in respect of dividends paid by us.

Capital gains and profits tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of H Shares. However, trading gains from the sale of H Shares by persons carrying on a trade, profession or business in Hong Kong, where such gains are derived from or arise in Hong Kong from such trade, profession or business will be subject to Hong Kong profits tax, which is currently imposed at the maximum rate of 16.5% on corporations and at the maximum rate of 15% on unincorporated businesses. Certain categories of taxpayers (for example, financial institutions, insurance companies and securities dealers) are likely to be regarded as deriving trading gains rather than capital gains unless these taxpayers can prove that the investment securities are held for long-term investment purposes.

Trading gains from sales of H Shares effected on the Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H Shares effected on the Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp duty

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.1% on the higher of the consideration for or the market value of H Shares, will be payable by the purchaser on every purchase and by the seller on every sale of Hong Kong securities, including H Shares (in other words, a total of 0.2% is currently payable on a typical sale and purchase transaction involving H Shares). In addition, a fixed duty of HK$5.00 is currently payable on any instrument of transfer of H Shares. Where one of the parties is a resident outside Hong Kong

and does not pay the ad valorem duty due by it, the duty not paid will be assessed on the instrument of transfer (if any) and will be payable by the transferee. If no stamp duty is paid on or before the due date, a penalty of up to ten times the duty payable may be imposed.

Estate duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 abolished estate duty in respect of deaths occurring on or after February 11, 2006.

FOREIGN EXCHANGE ADMINISTRATION IN THE PRC

The lawful currency of the PRC is Renminbi, which is currently subject to foreign exchange control and cannot be freely converted into foreign currency. The SAFE, with the authorization of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

The Administrative Regulations on Foreign Exchange of the PRC (《中華人民共和國外匯管理條例》) which was issued by the State Council on January 29, 1996, implemented on April 1, 1996 and latest amended on 5 August, 2008, classifies all international payments and transfers into current items and capital items. Current items are subject to the reasonable examination of the veracity of transaction documents and the consistency of the transaction documents and the foreign exchange receipts and payments by financial institutions engaging in conversion and sale of foreign currencies and supervision and inspection by the foreign exchange control authorities. For capital items, overseas organizations and overseas individuals making direct investments in the PRC shall, upon approval by the relevant authorities in charge, process registration formalities with the foreign exchange control authorities. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and foreign exchange settlement funds under the capital account are required to be used only for purposes as approved by the competent authorities and foreign exchange administrative authorities. In the event that international revenues and expenditure occur or may occur a material misbalance, or the national economy encounters or may encounter a severe crisis, the State may adopt necessary safeguard and control measures on international revenues and expenditure.

The Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》), which was promulgated by the PBOC on June 20, 1996 and implemented on July 1, 1996, removes other restrictions on convertibility of foreign exchange under current items, while imposing existing restrictions on foreign exchange transactions under capital account items.

According to *the Announcement on Improving the Reform of the Renminbi Exchange Rate Formation Mechanism* (《關於完善人民幣匯率形成機制改革的公告》), which was issued by the PBOC and implemented on July 21, 2005, the PRC has started to implement a managed floating exchange rate system in which the exchange rate would be determined based on market

supply and demand and adjusted with reference to a basket of currencies since July 21, 2005. Therefore, the Renminbi exchange rate was no longer pegged to the U.S. dollar. PBOC would publish the closing price of the exchange rate of the Renminbi against trading currencies such as the U.S. dollar in the interbank foreign exchange market after the closing of the market on each working day, as the central parity of the currency against Renminbi transactions on the following working day.

According to the relevant laws and regulations in the PRC, PRC enterprises (including foreign investment enterprises) which need foreign exchange for current item transactions may, without the approval of the foreign exchange administrative authorities, effect payment through foreign exchange accounts opened at the designated foreign exchange bank, on the strength of valid transaction receipts and proof. Foreign investment enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with regulations, are required to pay dividends to their shareholders in foreign exchange (such as our Company) may, on the strength of resolutions of the board of directors or the shareholders' meeting on the distribution of profits, effect payment from foreign exchange accounts at the designated foreign exchange bank, or effect exchange and payment at the designated foreign exchange bank.

According to *the Decisions on Matters including Canceling and Adjusting a Batch of Administrative Approval Items* (《國務院關於取消和調整一批行政審批項目等事項的決定》) which was promulgated by the State Council on October 23, 2014, it decided to cancel the approval requirement of the SAFE and its branches for the remittance and settlement of the proceeds raised from the overseas listing of the foreign shares into RMB domestic accounts.

According to *the Notice of the State Administration of Foreign Exchange on 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》) issued by the SAFE and implemented on December 26, 2014, a domestic company shall, within 15 business days from the date of the end of its overseas listing issuance, register the overseas listing with the local branch office of state administration of foreign exchange at the place of its establishment; the proceeds from an overseas listing of a domestic company may be remitted to the domestic account or deposited in an overseas account, but the use of the proceeds shall be consistent with the content of the document and other disclosure documents.

According to *the Notice of the State Administration of Foreign Exchange of the PRC on Revolutionizing and Regulating 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》) which was promulgated by the SAFE and implemented on June 9, 2016, partially repealed and nullified on March 23, 2023, 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.

On January 26, 2017, the SAFE issued *the Notice of the SAFE on Further Promoting the Reform of Foreign Exchange Administration and Improving the Examination of Authenticity and Compliance* (《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》) to further expand the scope of settlement for domestic foreign exchange loans, allow settlement for domestic foreign exchange loans with export background under goods trading, allow repatriation of funds under domestic guaranteed foreign loans for domestic utilization, allow settlement for domestic foreign exchange accounts of foreign institutions operating in the Free Trade Pilot Zones, and adopt the model of full-coverage RMB and foreign currency overseas lending management, where a domestic institution engages in overseas lending, the sum of its outstanding overseas lending in RMB and outstanding overseas lending in foreign currencies shall not exceed 30% of its owner's equity in the audited financial statements of the preceding year.

On October 23, 2019, the SAFE issued *the Notice on Further Facilitating Cross-border Trade and Investment* (《關於進一步促進跨境貿易投資便利化的通知》), which 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, 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.

PRC LAWS AND REGULATIONS

This Appendix sets out summaries of certain aspects of PRC laws and regulations, which are relevant to the Company's operations and business. Laws and regulations relating to taxation in the PRC are discussed separately in "Appendix IV — Taxation and Foreign Exchange" to this document. The principal objective of this summary is to provide potential [**REDACTED**] with an overview of the principal PRC legal and regulatory provisions applicable to the Company. This summary is not intended to include all the information which may be important to potential [**REDACTED**]. For more details on laws and regulations which are relevant to our business, please refer to the section headed "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》) and is made up of written laws, administrative regulations, local regulations, autonomous regulations, separate regulations, rules and regulations of State Council departments, rules and regulations of local governments, laws of special administrative regions and international treaties of which the PRC government is a signatory, and other regulatory documents. Court judgements do not constitute legally binding precedents, although they may be used for the purposes of judicial reference and guidance.

Pursuant to the PRC Constitution and *the Legislation Law of the PRC* (《中華人民共和國立法法》), 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 State organs, civil, criminal 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 parts of the laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of state administration and has the power to formulate administrative regulations based on the PRC Constitution and laws.

The people's congresses of the 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 regulations do not contravene any provision of the PRC Constitution, laws or administrative regulations. The people's congresses of cities with districts and their respective standing committees may formulate local regulations with respect to urban and rural construction and administration, environmental protection, historical and cultural protection and other aspects according to the specific circumstances and actual needs of such cities, which will become enforceable after being reported to and approved by the standing committees of the people's congresses of the relevant provinces or autonomous regions, provided that such local regulations do not contravene any provision of the PRC Constitution, laws, administrative regulations and local regulations of their respective provinces or autonomous regions.

The ministries and commissions of the State Council, the PBOC, the National Audit Office of the PRC and the subordinate institutions with administrative functions directly under the State Council may formulate rules and regulations within the authorization of their respective departments in accordance with the laws and administrative regulations, and the decisions and orders of the State Council. The people's governments of the provinces, autonomous regions, municipalities directly under the central government and cities with districts may formulate rules and regulations in accordance with the laws, administrative regulations and local regulations of such provinces, autonomous regions and municipalities directly under the central government.

The PRC Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations may contravene the PRC Constitution. The PRC laws rank higher than administrative regulations, local regulations and rules. The administrative regulations rank higher than local regulations and rules. The rules enacted by the people's governments of the provinces or autonomous regions rank higher than the rules enacted by the people's governments of the cities with districts and autonomous prefectures within the administrative areas of such provinces and the autonomous regions.

The NPC has the power to alter or annul any inappropriate laws enacted by SCNPC, and to annul any autonomous regulations or separate regulations which have been approved by its Standing Committee, but which contravene the PRC Constitution or the PRC Legislation Law. The SCNPC has the power to annul any administrative regulations that contravene the PRC Constitution and laws, to annul any local regulations that contravene the PRC Constitution, laws or administrative regulations, and to annul any autonomous regulations or local regulations which have been approved by the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities, but which contravene the PRC Constitution and the PRC 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 or municipalities have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees. The standing committees of 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 PRC Constitution, the power to interpret laws is vested in the SCNPC. Pursuant to *the Resolution of the Standing Committee of the NPC Providing an Improved Interpretation of the Law* (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed on 10 June 1981, issues related to the further clarification or supplement of laws should be interpreted or provided by the SCNPC, issues related to the specific application of laws and decrees in a court trial should be interpreted by the Supreme People's Court, issues related to the specific application of laws and decrees in a prosecution process should be interpreted by the Supreme People's Procuratorate, and the legal issues other than the above-mentioned

should be interpreted by the State Council and the competent authorities. If there are differences in principle in the interpretation of the Supreme People's court and the Supreme People's Procuratorate, they shall be submitted to the SCNPC for interpretation or decision. The State Council and its ministries and commissions are also vested with the power to give interpretations of the administrative regulations and departmental rules which they have promulgated. At the regional level, the power to interpret regional laws is vested in the regional legislative and administrative authorities which promulgate such laws.

The PRC Judicial System

Pursuant to the PRC Constitution and *the Law of Organization of the People's Courts of the PRC* (《中華人民共和國人民法院組織法》) most recently revised on 26 October 2018 and taking effect on 1 January 2019, the people's courts are classified into the Supreme People's Court, the local people's courts at various local levels, and other special people's courts. The local people's courts at various local levels are divided into three levels, namely, the primary people's courts, the intermediate people's courts and the higher people's courts. The primary people's courts are further divided into civil, criminal and economic tribunals. The intermediate people's courts have structure similar to those of the primary people's courts and other special tribunals, such as the intellectual property courts, military courts and maritime courts. These two levels of people's courts are subject to supervision by people's courts at higher levels. The Supreme People's Procuratorate is authorized to supervise the judgement and ruling of the people's courts at all levels which have been legally effective, and the people's procuratorate at a higher level is authorized to supervise the judgement and ruling of a people's court at a lower level which have been legally effective. The Supreme People's Court is the highest judicial authority in the PRC. It supervises the administration of justice by the people's courts at all levels.

The people's courts employ a two-tier appellate system. The judgements or rulings of the second instance at a people's court are final. A party may appeal against the judgement or ruling of the first instance of a local people's court. The people's procuratorate may present a protest to the people's court 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 judgements or rulings of the people's court are final. Judgements or rulings of the second instance of the intermediate people's courts, the higher people's courts and the Supreme People's Court are final. Judgements or rulings of the first instance of the Supreme People's Court are also final. However, if the Supreme People's Court or a people's court at the next higher level discovers an error in a final and binding judgement or ruling which has taken effect in any people's court at a lower level, or the presiding judge of a people's court finds an error in a final and binding judgement or ruling which has taken effect in the court over which he presides, a retrial of the case may be initiated according to the judicial supervision procedures.

The Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》) adopted on 9 April 1991 and most recently amended on 1 September 2023, prescribes the conditions 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 judgement or ruling. All parties to a civil action conducted within the PRC must abide by the PRC Civil Procedure Law. The court of jurisdiction in respect of a civil action may also be chosen by explicit agreement among the parties to a contract, provided that the people's court having jurisdiction should be located at places directly connected with the disputes, such as the plaintiff's or the defendant's place of domicile, the place where the contract is executed or signed or the place where the object of the action is located. However, such choice shall not in any circumstances contravene the provisions on grade jurisdiction and exclusive jurisdiction.

A foreign individual, a person without nationality, a foreign enterprise or a foreign organization that institute or respond to proceedings in a people's court is given the same litigation rights and obligations as a citizen or legal person of the PRC. Should a foreign court limit the litigation rights of PRC citizens and enterprises, the PRC court shall apply the same limitations to the citizens and enterprises of such foreign country. A foreign individual, a person without nationality, a foreign enterprise or a foreign organization must engage a PRC lawyer in case he/she or it needs to engage a lawyer for the purpose of initiating actions or defending against litigations at a PRC court. In accordance with the international treaties to which the PRC is a signatory or a participant or according to the principle of reciprocity, a people's court and a foreign court may request each other to serve documents, conduct investigation, collect evidence and conduct other actions on its behalf. A PRC court shall not accommodate any request made by a foreign court which will result in the violation of sovereignty, security or public interests of the PRC.

All parties to a civil action shall perform legally effective judgements and rulings. If any party to a civil action refuses to abide by a judgement or ruling made by a people's court or an award made by an arbitration tribunal in the PRC, the other party may apply to the people's court for the enforcement of the same within two years, subject to application for postponed enforcement or revocation. If a party fails to satisfy within the stipulated period a judgement which the court has granted an enforcement approval, the court may, upon the application of the other party, mandatorily enforce the judgement.

A party seeking to enforce a judgement or ruling of a people's court against another party who is not or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of such judgement or ruling. Alternatively, the people's court may, pursuant to an international treaty concluded or acceded to by the PRC or in accordance with the principle of reciprocity, request the foreign court to recognize and execute the judgement or ruling. Likewise, if the PRC has entered into either a treaty relating to judicial enforcement with the relevant foreign country or according to the principle of reciprocity, a foreign judgement or ruling may also be recognized and enforced in accordance with the PRC enforcement procedures by a PRC court unless the people's court considers that the recognition or enforcement of such judgement or ruling would violate the basic legal principles of the PRC, its sovereignty or national security, or would not be in the public interest.

The PRC Company Law, Trial Measures for Overseas Listing and Guidance for Articles of Association

A joint stock limited company incorporated in the PRC and seeking a listing on the Stock Exchange is mainly subject to the following laws and regulations in the PRC:

(1) *The PRC Company Law* (《中華人民共和國公司法》) which was promulgated on 29 December 2023 and took effect on 1 July 2024;

(2) The Trial Measures for Overseas Listing which were promulgated by the CSRC on 17 February 2023 pursuant to *the PRC Securities Law* (《中華人民共和國證券法》) and are applicable to the direct and indirect overseas share offering or listing of domestic companies; and

(3) *The Guidelines for Articles of Association of Listed Companies* (《上市公司章程指引》) (the "**Guidance for Articles of Association**") which was most recently amended on 15 December 2023 by the CSRC. The Articles of Association is formulated based on the Guidance for Articles of Association on a reference basis, the summary of which is set out in the section entitled "Appendix VI — Summary of Articles of Association" to this document.

Set out below is a summary of the major provisions of the currently effective PRC Company Law, the Trial Measures for Overseas Listing for Articles of Association which are applicable to the Company.

General

A joint stock limited company refers to a corporate legal person established in China under the PRC Company Law with its registered capital divided into shares. All shares of the company shall be either par value shares or no par value shares in accordance with the company's articles of association. Where par value shares are adopted, each share shall have equal value. The liability of the company is limited to the total amount of all assets it owns and the liability of its shareholders is limited to the extent of the shares they subscribe for.

The company shall conduct its business in accordance with laws and administrative regulations. It may invest in other limited liability companies and joint stock limited companies and its liabilities with respect to such invested companies are limited to the amount invested. Unless otherwise provided by law, the company may not be a contributor that undertakes joint liabilities for the debts of the invested companies.

Incorporation

A company may be incorporated by promotion or floatation. A company shall be incorporated by a minimum of one but no more than 200 promoters, and at least half of the promoters must be residents within the PRC. Companies incorporated by promotion are companies of which the entire registered capital is subscribed for by the promoters. Shares in the company incorporated by promotion shall not be offered to others unless the registered capital has been fully paid up. If laws, administrative regulations and decisions of the State Council have separate provisions on paid-in registered capital and the minimum registered capital, the company should follow such provisions.

For companies incorporated by way of promotion, the promoters shall subscribe in writing for the shares required to be subscribed for by them and pay up their capital contributions under the articles of association. Procedures relating to the transfer of titles to non-monetary assets shall be duly completed if such assets are to be contributed as capital. Promoters who fail to pay up their capital contributions in accordance with the foregoing provisions shall assume default liabilities in accordance with the covenants set out in the promoters' agreements. After the promoters have confirmed the capital contribution under the articles of association, a board of directors and a Supervisory Committee shall be elected and the board of directors shall apply for registration of incorporation by filing the articles of association with the company registration authority, and other documents as required by laws or administrative regulations.

Where companies are incorporated by floatation, not less than 35% of their total number of shares must be subscribed for by the promoters, unless otherwise provided for by laws or administrative regulations. The promoters shall preside over and convene an inauguration meeting within thirty days from the date of the full payment of subscription capital. The inauguration meeting shall be formed by the promoters and subscribers. Where the shares issued are not fully subscribed for within the offer period stipulated in the share offering document, or where the promoter fails to convene an inauguration meeting within thirty days of the subscription capital for the shares issued being fully paid up, the subscribers may demand that the promoters refund the subscription capital so paid together with the interest calculated at bank rates of a deposit for the same period. Within thirty days of the conclusion of the inauguration meeting, the board of directors shall apply to the registration authority for registration of the establishment of the company. A company is formally established and has the status of a legal person after the registration with the relevant administration for market regulation has been completed and a business license has been issued.

Share Capital

The promoters may make a capital contribution in currencies, or non-monetary assets such as in kind, intellectual property rights or land use rights which can be appraised with monetary value and transferred lawfully, except for assets which are prohibited from being contributed as capital by laws or administrative regulations. If a capital contribution is made in non-monetary assets, a valuation of the assets contributed must be carried out pursuant to the provisions of laws or administrative regulations on valuation without any over-valuation or under-valuation.

There is no limit under the PRC Company Law as to the percentage of shares held by an individual shareholder in a company. The shares of a company are represented by stocks. A stock is a certificate issued by the company to certify the share held by a shareholder. The stock issued by the company shall be in the form of registered stock.

The issuance of shares shall be conducted in a fair and equitable manner. Each share of the same class must carry equal rights. Shares issued at the same time and within the same class must be issued on the same conditions and at the same price. The same price per share shall be paid by any share subscriber (whether an entity or an individual). The share offering price may be equal to or greater than the par value of the share, but may not be less than the par value.

Under the Trial Measures for Overseas Listing, if a domestic company offers shares overseas, it may raise funds and dividend distributions in foreign currency or Renminbi.

Under the PRC Company Law, a company issuing registered share certificates shall maintain a shareholder registry which sets forth the following matters:

(i) the name and domicile of each shareholder;

(ii) the number of shares held by each shareholder;

(iii) the serial numbers of shares held by each shareholder; and

(iv) the date on which each shareholder acquired the shares.

Increase in Share Capital

In light of its operational and development needs and in accordance with laws and regulations, a company may increase its share capital under any of the following methods, subject to the resolutions be passed at a shareholders' general meeting: (i) a public offering of shares; (ii) a private placement of shares; (iii) offering of bonus shares to existing shareholders; (iv) the conversion of reserve funds into shares; and (v) any other methods provided in law and administrative regulations and approved by the CSRC.

Pursuant to the PRC Company Law, a company may, according to its articles of association, issue the following classified shares, which have different rights from those of the common shares: (i) shares with priority or inferior rights to profits or remaining property in distribution; (ii) shares with more or less voting rights per share than those of the common shares; (iii) shares whose transfer is subject to the consent of the company and other restrictions; (iv) other classified shares provided by the State Council. A company making a public offering of shares shall not issue any of the classified shares as prescribed on items (ii) and (iii), except those issued prior to the public offering. Where a company is issuing new shares, resolutions shall be passed at general meeting in accordance with the articles of association in respect of the class and amount of the new shares, the issue price of the new shares, the commencement and end dates for the issue of the new shares and when the new shares are proposed to be issued to existing shareholders, the class and amount of such new shares.

To offer shares overseas, the domestic company shall report the application documents for offering and listing to the CSRC for record-filing within three business days after submission of the application documents for offering and listing overseas.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the PRC Company Law:

(i) the company shall prepare a balance sheet and a list of properties;

(ii) the reduction of registered capital must be approved by shareholders at the general meeting;

(iii) the company shall notify its creditors of the reduction in registered capital within ten days and publish an announcement of the reduction in newspaper or on National Enterprise Credit Information Publicity System within thirty days of the resolution approving the reduction being passed;

(iv) the creditors of the company may within the statutory time limit require the company to repay its debts or provide guarantees for covering the debts; and

(v) the company must apply to the relevant company registration authority for registration of the change and reduction in registered capital.

Repurchase of Shares

Pursuant to the PRC Company Law, a company shall not purchase its own shares other than in any of the following circumstances:

(i) reducing its registered capital;

(ii) merging with another company which holds its shares;

(iii) utilizing the shares for employee stock ownership plan or stock ownership incentive scheme;

(iv) acquiring its own shares at the request of its shareholders who vote in a shareholders' general meeting against a resolution regarding a merger or separation;

(v) utilizing the shares for conversion of corporate bonds which are convertible into shares issued by a listed company; and

(vi) where it is necessary for a listed company to maintain its corporate value and stockholders' equity.

Any company's purchase of its own shares for any reason specified in item (i) and item (ii) of the preceding paragraph shall be subject to a resolution of the general meeting; any company's purchase of its own shares for any reason specified in item (iii), item (v) and item (vi) of the preceding paragraph may be subject to a resolution of the board meeting with more than two thirds of directors present, according to the provisions of the articles of associations or upon authorization by the general meeting.

The shares acquired under the circumstance stipulated in item (i) hereof shall be deregistered within ten days from the date of acquisition of shares; the shares shall be assigned or deregistered within six months if the repurchase of shares is made under the circumstances stipulated in either item (ii) or item (iv); and the shares held in total by a company after the repurchase under any of the circumstances stipulated in item (iii), item (v) or item (vi) shall not exceed 10% of the company's total outstanding shares, and shall be assigned or deregistered within three years.

Transfer of Shares

Shares held by shareholders may be transferred in accordance with the relevant laws. Pursuant to the PRC Company Law, a shareholder should effect a transfer of his shares on a stock exchange established in accordance with laws or by any other means as required by the State Council. Registered shares may be transferred after the shareholders endorse the back of the share certificates or in any other manner specified by laws or administrative regulations. Following the transfer, the company shall enter the names and addresses of the transferees into

its share register. No changes of registration in the share register described above shall be effected during a period of twenty days prior to convening a shareholders' general meeting or five days prior to the record date for the purpose of determining entitlements to dividend distributions, subject to any legal provisions on the registration of changes in the share register of listed companies.

Pursuant to the PRC Company Law, shares of the company issued prior to the public offering of shares may not be transferred within one year of the date of the company's listing on a stock exchange. Directors, supervisors and the Senior Executives of a company shall declare to the company their shareholdings in the company and any changes thereof. During their terms of office, they may transfer no more than 25% of the total number of shares they hold in the company per annum. They shall not transfer the shares they hold within one year of the date of the company's listing on a stock exchange, nor within half a year after they leave their positions in the company. The articles of association may set out other restrictive provisions in respect of the transfer of shares in the company held by its directors, supervisors and the Senior Executives.

Shareholders

Under the PRC Company Law, the rights of shareholders include the rights:

(i) to receive a return on assets, participate in significant decision-making and select management personnel;

(ii) to petition the people's court to revoke any resolution passed on a shareholders' general meeting or a meeting of the board of directors that has not been convened in compliance with the laws and regulations or the articles of association or whose voting has violated the laws, administrative regulations or the articles of association of the company, or any resolution the contents of which is in violation of the articles of association, provided that such petition shall be submitted within sixty days of the passing of such resolution;

(iii) to transfer the shares according to the applicable laws and regulations and the articles of association;

(iv) to attend or appoint a proxy to attend shareholders' general meetings and exercise the voting rights;

(v) to inspect the articles of association, share register, counterfoil of company debentures, minutes of shareholders' general meetings, board resolutions, resolutions of the Supervisory Committee and financial and accounting reports, and to make suggestions or inquiries in respect of the company's operations;

(vi) to receive dividends in respect of the number of shares held;

(vii) to participate in distribution of residual properties of the company in proportion to their shareholdings upon the liquidation of the company; and

(viii) any other shareholders' rights provided for in laws, administrative regulations, other normative documents and the articles of association.

The obligations of shareholders include the obligation to abide by the company's articles of association, to pay the subscription capital in respect of the shares subscribed for, to be liable for the company's debts and liabilities to the extent of the amount of subscription capital agreed to be paid in respect of the shares taken up by them and any other shareholder obligation specified in the articles of association.

Shareholders' General Meetings

The general meeting is the organ of authority of the company, which exercises its powers in accordance with the PRC Company Law. The general meeting may exercise its powers:

(i) to elect and remove the directors and supervisors (not being representative(s) of employees) and to decide on the matters relating to the remuneration of directors and supervisors;

(ii) to review and approve the reports of the board of directors;

(iii) to review and approve the reports of the Supervisory Committee or supervisors;

(iv) to review and approve the company's annual financial budgets and final accounts plan;

(v) to review and approve the company's profit distribution proposals and loss recovery proposals;

(vi) to decide on any increase or reduction of the company's registered capital;

(vii) to decide on the issue of corporate bonds;

(viii) to decide on merger, division, dissolution and liquidation of the company or change of its corporate form;

(ix) to amend the company's articles of association; and

(x) to exercise any other authority stipulated in the articles of association.

The general meeting may authorize the board of directors to make resolutions on the issuance of corporate bonds.

Pursuant to the PRC Company Law, a shareholders' general meeting is required to be held once every year. An extraordinary general meeting is required to be held within two months of the occurrence of any of the following circumstances:

(i) the number of directors is less than the number stipulated by the law or less than two thirds of the number specified in the articles of association;

(ii) the outstanding losses of the company amounted to one-third of the company's total share capital;

(iii) shareholders individually or in aggregate holding 10% or more of the company's shares request that an extraordinary general meeting is convened;

(iv) the board of directors deems necessary;

(v) the Supervisory Committee so proposes; or

(vi) any other circumstances as provided for in the articles of association.

A shareholders' general meeting 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 is not performing his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or is not performing his duties, a director nominated by half or more of the directors shall preside over the meeting. Where the board of directors is incapable of performing or is not performing its duties to convene the general meeting, the Supervisory Committee shall convene and preside over such meeting in a timely manner. If the Supervisory Committee fails to convene and preside over such meeting, shareholders individually or in aggregate holding 10% or more of the company's shares for ninety days or more consecutively may unilaterally convene and preside over such meeting. Where shareholders individually or in aggregately holding 10% or more of the company's shares request to convene an extraordinary general meeting, the board of directors and the Supervisory Committee shall, within ten days after receipt of such request, decide whether to convene the extraordinary general meeting and reply to the shareholders in writing.

In accordance with the PRC Company Law, a notice of the general meeting stating the date and venue of the meeting and the matters to be considered at the meeting shall be given to all shareholders twenty days before the meeting. A notice of extraordinary general meeting shall be given to all shareholders fifteen days prior to the meeting.

There is no specific provision in the PRC Company Law regarding the number of shareholders constituting a quorum in a shareholders' general meeting.

Pursuant to the PRC Company Law, shareholders (excluding classified shareholders) present at a shareholders' general meeting have one vote for each share they hold, save that shares held by the company are not entitled to any voting rights.

An accumulative voting system may be adopted for the election of directors and supervisors at the general meeting pursuant to the provisions of the articles of association or a resolution of the general meeting. Under the accumulative voting system, each share shall be entitled to the number of votes equivalent to the number of directors or supervisors to be elected at the general meeting, and shareholders may consolidate their votes for one or more directors or supervisors when casting a vote.

Pursuant to the PRC Company Law, resolutions of the general meeting must be passed by more than half of the voting rights held by shareholders present at the meeting, with the exception of resolutions relating to merger, division or dissolution of the company, increase or reduction of registered share capital, change of corporate form or amendments to the articles of association, which in each case must be passed by more than two-thirds of the voting rights held by the shareholders present at the meeting. Where the PRC Company Law and the articles of association provide that the transfer or acquisition of significant assets or the provision of external guarantees by the company must be approved by way of resolution of the general meeting, the board of directors shall convene a shareholders' general meeting promptly to vote on such matters.

A shareholder may entrust a proxy to attend the general meeting on his/her behalf and the matters, power and time limit of the proxy shall be clarified by such shareholder. The proxy shall present the shareholders' power of attorney to the company and exercise voting rights within the scope of authorization.

Minutes shall be prepared in respect of matters considered at the general meeting and the chairman and directors attending the meeting shall endorse such minutes by signature. The chairman of the meeting and directors attending the meeting shall sign to endorse such minutes. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

Board of Directors

A joint stock limited company shall have a board of directors which shall have at least three members. For a company that has three hundred or more employees, the board of directors shall include the staff representative unless the Supervisory Committee has been established and already included the staff representative supervisor. The term of a director shall be stipulated in the articles of association, provided that no term of office shall last for more than three years. A director may serve consecutive terms if re-elected. A director shall continue to perform his/her duties as a director in accordance with the laws, administrative regulations and the articles of association until a duly re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of directors results in the number of directors being less than the quorum.

Under the PRC Company Law, the board of directors may exercise its powers:

(i) to convene shareholders' general meetings and report on its work to the shareholders' general meetings;

(ii) to implement the resolutions passed by the shareholders at the shareholders' general meetings;

(iii) to decide on the company's operational plans and investment proposals;

(iv) to formulate the company's profit distribution proposals and loss recovery proposals;

(v) to formulate proposals for the increase or reduction of the company's registered capital and the issue of corporate bonds;

(vi) to formulate proposals for the merger, division or dissolution of the company or change of corporate form;

(vii) to decide on the setup of the company's internal management organs;

(viii) to appoint or dismiss the company's manager and decide on his/her remuneration and, based on the manager's recommendation, to appoint or dismiss any deputy manager and financial officer of the company and to decide on their remunerations;

(ix) to formulate the company's basic management system; and

(x) to exercise any other authority stipulated in the articles of association.

Any restrictions on the powers of the board of directors set out in the articles of association may not be claimed against any bona fide third party.

Meetings of the board of directors shall be convened at least twice each year. Notices of meeting shall be given to all directors and supervisors ten days before the meeting. Interim board meetings may be proposed to be convened by shareholders representing more than 10% of the voting rights, more than one-third of the directors or the Supervisory Committee. The chairman shall convene the meeting within ten days of receiving such proposal, and preside over the meeting. The board of directors may otherwise determine the means and the period of notice for convening an interim board meeting. Meetings of the board of directors shall be held only if more than half of the directors are present. Resolutions of the board of directors shall be passed by more than half of all directors. Each director shall have one vote for a resolution to be approved by the board of directors. Directors shall attend the meetings of the board of directors in person. If a director is unable to attend for any reason, he/she may appoint another director to attend the meeting on his/her behalf by a written power of attorney specifying the scope of authorization. The board of directors shall make minutes of the meeting's decisions on the matters discussed at the meeting, and the directors attending the meeting shall sign the minutes.

If a resolution of the board of directors violates any laws, administrative regulations or the articles of association or resolutions of the general meeting, and as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director shall be relieved from that liability.

Under the PRC Company Law, the following person may not serve as a director in a company:

(i) a person without capacity or restricted capacity to undertake any civil liabilities;

(ii) a person who has been sentenced to any criminal penalty for corruption, bribery, embezzlement, misappropriation of property or destruction of the socialist economic order, or who has been deprived of his political rights due to his crimes and such sentence has expired for no more than five years, or who is granted probation, if no more than two years have passed since the expiration of the probation period;

(iii) a person who has been a former director, factory manager or manager of a company or an enterprise that has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where no more than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;

(iv) a person who has been a legal representative of a company or an enterprise that has had its business license revoked due to violations of the law or has been ordered to close down by law and the person was personally responsible, where less than three years have elapsed since the date of such revocation or the order to close down; or

(v) a person who is listed as a dishonest person subject to enforcement by the people's court due to failure to pay off a large amount of unliquidated mature debts.

Where a company elects or appoints a director to which any of the above circumstances applies, such election or appointment shall be null and void. A director to which any of the above circumstances applies during his/her term of office shall be released of his/her duties by the company.

Pursuant to the PRC Company Law, the board of directors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman shall be elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and review the implementation of board resolutions. The vice chairman shall assist the chairman to perform his/her duties. Where the chairman is incapable of performing or is not performing his/her duties, the duties shall be performed by the vice chairman. Where the vice chairman is incapable of performing or is not performing his/her duties, a director elected by more than half of the directors shall perform his/her duties.

Supervisory Committee

Pursuant to the PRC Company Law, a joint stock limited company shall have a Supervisory Committee composed of not less than three members. The Supervisory Committee shall consist of representatives of the shareholders and an appropriate proportion of representatives of the company's staff, among which the proportion of representatives of the company's staff shall not be less than one-third, and the actual proportion shall be determined in the articles of association. Representatives of the company's staff at the Supervisory Committee shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise. The Supervisory Committee shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the Supervisory Committee shall be elected by more than half of the supervisors. Directors and Senior Executives shall not act concurrently as supervisors.

The chairman of the Supervisory Committee shall convene and preside over Supervisory Committee meetings. Where the chairman of the Supervisory Committee is incapable of performing or is not performing his/her duties, the vice chairman of the Supervisory Committee shall convene and preside over supervisory board meetings. Where the vice chairman of the Supervisory Committee is incapable of performing or is not performing his/her duties, a supervisor nominated by more than half of the supervisors shall convene and preside over meetings of the Supervisory Committee.

Each term of office of a supervisor is three years and he/she may serve consecutive terms if re-elected. A supervisor shall continue to perform his/her duties as a supervisor in accordance with the laws, administrative regulations and the articles of association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of supervisors results in the number of supervisors being less than the quorum.

The Supervisory Committee may exercise its powers:

(i) to review the company's financial position;

(ii) to supervise the directors and Senior Executives in their performance of their duties and to propose the removal of directors and Senior Executives who have violated laws, regulations, the articles of association or shareholders' resolutions;

(iii) when the acts of directors or Senior Executives are detrimental to the company's interests, to require the director and Senior Executives to correct these acts;

(iv) to propose the convening of extraordinary shareholders' general meetings and to convene and preside over shareholders' general meetings when the board fails to perform the duty of convening and presiding over shareholders' general meetings under the PRC Company Law;

(v) to submit proposals to the shareholders' general meetings;

(vi) to bring actions against directors and Senior Executives pursuant to the relevant provisions of the PRC Company Law; and

(vii) to exercise any other authority stipulated in the articles of association.

Supervisors may be present at board meetings and make inquiries or proposals in respect of the resolutions of the board. The Supervisory Committee may investigate any irregularities identified in the operation of the company and, when necessary, may engage an accounting firm to assist its work at the cost of the company.

Manager and Senior Executives

Pursuant to the PRC Company Law, a company shall have a manager who shall be appointed or removed by the board of directors. The manager shall exercise his/her powers in accordance with the company's articles of association or the authorization of the board of directors.

Other provisions in the articles of association on the manager's powers shall also be complied with. The manager shall be present at meetings of the board of directors. However, the manager shall have no voting rights at meetings of the board of directors unless he/she concurrently serves as a director.

Pursuant to the PRC Company Law, Senior Executives refers to the manager, deputy manager, financial officer, secretary to the board of directors of a listed company and other personnel as stipulated in the articles of association.

Duties of Directors, Supervisors, Managers and Other Senior Executives

Directors, supervisors and Senior Executives are required under the PRC Company Law to comply with the relevant laws, regulations and the articles of association, and shall be obliged to be faithful and diligent towards the company. Where the controlling shareholder or actual controller of the company who does not serve as a director but actually attends to the company's affairs, shall comply with the foregoing provisions.

Directors, supervisors and Senior Executives are prohibited from abusing their authority in accepting bribes or other unlawful income and from misappropriating the company's property.

Directors, supervisors and Senior Executives are prohibited from:

(i) seizing the assets of the company or misappropriating company funds;

(ii) depositing company funds into accounts under their own names or the names of other individuals;

(iii) taking advantage of power to accept bribes or other illegal income;

(iv) accepting commissions paid by a third party for transactions conducted with the company for their own benefit;

(v) unauthorized divulgence of confidential information of the company; and

(vi) other acts in violation of their duty of loyalty to the company.

Where directors, supervisors and Senior Executives directly or indirectly conclude any contract or engage in transactions with the company, they shall report to the board of directors or the shareholders' general meeting and seek approval by resolutions of the board of directors or the shareholders' general meeting in accordance with the articles of association. The requirement shall also apply to the conclusion of contracts or engagement in transactions by close relatives of the directors, supervisors and Senior Executives or enterprises directly or indirectly controlled by close relatives of the directors, supervisors and Senior Executives as well as persons who are otherwise related to the directors, supervisors and Senior Executives.

Directors, supervisors and Senior Executives shall not take advantage of duty to seek business opportunities for themselves or others that would have been directed to the company, unless such act has been reported to and approved by the board of directors or the shareholders' general meeting in accordance with the articles of association or the company is unable to take the business opportunity in accordance with applicable laws, administrative regulations, and the articles of association.

Directors, supervisors and Senior Executives shall not engage in the business similar to those of the company for themselves or others, unless such act has been reported to and approved by the board of directors or the shareholders' general meeting in accordance with the articles of association.

Income generated by directors or Senior Executives in violation of aforementioned shall be returned to the company.

A director, supervisor or Senior Executives who contravenes any laws, regulations or the company's articles of association in the performance of his/her duties resulting in any loss to the company shall be liable to the company for compensation.

The Guidance for Articles of Association provides that a company's directors and Senior Executives shall have duties of diligence towards the company, for example, the directors shall be prudent, serious and diligent in exercising the authority conferred by the company to ensure that the business activities of the company comply with state's laws, administrative regulations and various economic policy requirements and that the business activities do not go beyond the scope of business activities specified in the company's business license; the directors shall treat all shareholders equally; the shareholders shall keep abreast of the company's business

management status; both the directors and the Senior Executives shall sign written statements confirming periodic reports of the company and ensure that the information disclosed by the company is true, accurate and complete; both the directors and the Senior Executives shall provide accurate information and materials to the Supervisory Committee and shall not interfere with the performance of duties by the Supervisory Committee or individual supervisors; both the directors and the Senior Executives shall have other diligence duties prescribed by laws, administrative regulations, departmental rules and the company's articles of association.

Finance and Accounting

Pursuant to the PRC Company Law, a company shall establish its own financial and accounting systems according to the laws, administrative regulations and the regulations of the competent financial departments of the State Council. At the end of each financial year, a company shall prepare a financial report which shall be audited by an accounting firm in accordance with the laws. The financial and accounting reports shall be prepared in accordance with the laws, administrative regulations and the regulations of the financial departments of the State Council.

The company's financial reports shall be made available for shareholders' inspection at the company twenty days before the convening of an annual general meeting. A joint stock limited company that makes public stock offerings shall publish its financial reports.

When distributing each year's profits after taxation, the company shall set aside 10% of its profits after taxation for the company's statutory common reserve fund until the fund has reached more than 50% of the company's registered capital. When the company's statutory common reserve fund is not sufficient to make up for the company's losses for the previous years, the current year's profits shall first be used to make good the losses before any allocation is set aside for the statutory common reserve fund. After the company has made allocations to the statutory common reserve fund from its profits after taxation, it may, upon passing a resolution at a shareholders' general meeting, make further allocations from its profits after taxation to the discretionary common reserve fund. After the company has made good its losses and made allocations to the abovementioned reserve fund, the remaining profits after taxation shall be distributed in proportion to the number of shares held by the shareholders, except for those which are not distributed in a proportionate manner as provided by the articles of association.

Profits distributed to shareholders in violation of the requirements described above must be returned to the company. The company shall not be entitled to any distribution of profits in respect of shares held by it.

The premium over the nominal value of the shares of the company on issue and other income as required by relevant government authorities to be treated as the capital reserve fund shall be accounted for as the capital reserve fund. The common reserve fund of a company shall be applied to make good the company's losses, expand its business operations or increase its capital. Where any losses need to be covered with reserve fund of the company, discretionary reserve fund and statutory common reserve fund shall first be used and if still insufficient, capital reserve fund can be used in accordance with applicable provisions. Upon the transfer of the statutory common reserve fund into increasing capital, the balance of the statutory common fund shall not be less than 25% of the registered capital of the company before such transfer.

The company shall have no accounting books other than the statutory books. The company's capital shall not be deposited in any account opened under the name of an individual.

Appointment and Retirement of Auditors

The Guidance for Articles of Association provides that a company shall engage an accounting firm which is qualified with the PRC Securities Law to provide services including the audit of financial statements, the verification of net assets and other relevant consultancy services. The engagement term is one year and may be extended.

Pursuant to the PRC Company Law, the appointment or dismissal of an accounting firm responsible for the company's auditing shall be determined by shareholders at a shareholders' general meeting or the board of directors or the Supervisory Committee in accordance with the articles of association. The accounting firm should be allowed to make representations when the general meeting or the board of directors 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, withholding or falsification of information. Furthermore, the Guidance for Articles of Association provides that the audit fee for the accounting firm shall also be determined by shareholders at a general meeting.

Profit Distribution

According to the PRC Company Law, a company shall not distribute profits before losses are covered and the statutory common reserve fund is provided.

Amendments to the Articles of Association

Pursuant to the PRC Company Law, the resolution of a shareholders' general meeting regarding any amendment to a company's articles of association requires affirmative votes by more than two-thirds of the votes held by shareholders attending the meeting.

Pursuant to the Guidance for Articles of Association, the company shall amend its articles of association under any of the following circumstances:

(i) where, after any amendment to the PRC Company Law or any other applicable law or administrative regulation, the provisions of the articles of association conflict with the law and/or administrative regulations amended;

(ii) where the company's circumstances change to such an extent that they are inconsistent with what is recorded in the articles of association; and

(iii) where the shareholders' general meeting decides to amend the articles of association.

The Guidance for Articles of Association further provides that where any amendment to the articles of association adopted by a shareholders' general meeting is subject to approval by the competent authorities, such amendment shall be submitted for approval; where any amendment involves the company's registration items, the company's registration with the authority shall also be amended. In addition, an announcement shall be made in accordance with the applicable provisions provided that the amendment to the articles of association is required to be disclosed by any law or regulation.

Dissolution and Liquidation

Pursuant to the PRC Company Law, a company shall be dissolved for any of the following reasons:

(i) the term of its operation set out in the articles of association has expired or other events of dissolution specified in the articles of association have occurred;

(ii) the shareholders have resolved at a shareholders' general meeting to dissolve the company;

(iii) the company is dissolved by reason of its merger or division;

(iv) the business license of the company is revoked or the company is ordered to close down or to be dissolved in accordance with the laws; or

(v) the company is dissolved by a people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all shareholders of the company, on the grounds that the operation and management of the company has suffered serious difficulties that cannot be resolved through other means, rendering ongoing existence of the company a cause for significant losses to the shareholders' interests. On the occurrence of the abovementioned events, the company shall make an announcement on the National Enterprise Credit Information Publicity System within ten days.

In the event of paragraphs (i) and (ii) above, the company may carry on its existence by amending its articles of association if no property has been distributed to any shareholder. The amendments to the articles of association in accordance with the provisions described above shall require the approval of more than two-thirds of voting rights of shareholders attending a shareholders' general meeting.

Where the company is dissolved under the circumstances set forth in paragraph (i), (ii), (iv) or (v) above, the liquidation procedures shall be conducted and directors shall be the company's liquidation obligor and it should establish a liquidation committee within fifteen days of the date on which the dissolution event occurs. The liquidation committee shall be composed of directors or any other persons determined by a shareholders' general meeting. If a liquidation committee is not established within the prescribed period or the liquidation fails to effect after the establishment of a liquidation committee, the interested party may file an application with a people's court, requesting that the court appoint relevant personnel to form a liquidation committee to administer the liquidation. The people's court should accept such application and form a liquidation committee to conduct liquidation in a timely manner.

The liquidation committee may exercise following powers during the liquidation:

(i) to dispose of the company's assets and to prepare a balance sheet and an inventory of assets;

(ii) to notify the company's creditors or publish announcements;

(iii) to deal with and settle any outstanding business related to the liquidation;

(iv) to pay any outstanding tax together with any tax arising during the liquidation process;

(v) to settle the company's claims and liabilities;

(vi) to distribute the company's remaining assets after its debts have been paid off; and

(vii) to represent the company in any civil procedures.

The liquidation committee shall notify the company's creditors within ten days from its establishment, and publish an announcement in newspapers or on the National Enterprise Credit Information Publicity System within sixty days.

A creditor shall lodge his claim with the liquidation committee within thirty days of receipt of the notification or within forty-five days of the date of the announcement if he has not received any notification.

A creditor shall, in making his claim, state matters relevant to his creditor's rights and furnish relevant evidence. The liquidation committee shall register such creditor's rights. The liquidation committee shall not make any settlement to creditors during the period of the claim.

Upon disposal of the company's property and preparation of the required balance sheet and inventory of assets, the liquidation committee shall draw up a liquidation plan and submit this plan to a shareholders' general meeting or a people's court for endorsement. The remaining assets of the company, after payment of liquidation expenses, employee wages, social insurance expenses and statutory compensation, outstanding taxes and the company's debts, shall be distributed to shareholders in proportion to shares held by them. The company shall continue to exist during the liquidation period, although it cannot engage in operating activities that are not related to the liquidation. The company's property shall not be distributed to shareholders before repayments are made in accordance with the requirements described above.

Upon liquidation of the company's property and preparation of the required balance sheet and inventory of assets, if the liquidation committee becomes aware that the company does not have sufficient assets to repay its liabilities, it must apply to a people's court for a declaration of bankruptcy in accordance with the laws. Following such declaration by the people's court, the liquidation committee shall hand over the administration matters to the bankruptcy administrator designated by the people's court.

Upon completion of the liquidation, the liquidation committee shall prepare a liquidation report and submit it to the shareholders' general meeting or a people's court for confirmation of its completion, and to the company registration authority to cancel the company's registration, and an announcement of its termination shall be published. Members of the liquidation committee are required to discharge their duties in good faith and in compliance with relevant laws. Members of the liquidation committee shall be prohibited from abusing their authority in accepting bribes or other unlawful income and from misappropriating the company's properties. Members of the liquidation committee are liable to indemnify the company and its creditors in respect of any loss arising from their willful or material default.

Liquidation of a company declared bankrupt according to laws shall be processed in accordance with the laws on corporate bankruptcy.

Overseas Listing

Pursuant to the Trial Measures for Overseas Listing, both initial public offerings or listings in overseas markets shall be filed with the CSRC within three business days after the relevant application is submitted overseas. Subsequent securities offerings of an issuer in the same overseas market where it has previously offered and listed securities shall be filed with the CSRC within three business days after the offering is completed. Moreover, where the filing documents are complete and in compliance with stipulated requirements, the CSRC will, within twenty business days after receiving the filing documents, conclude the filing procedure and publish the filing results on the CSRC website. Where the filing documents are incomplete or do not conform to stipulated requirements, the CSRC shall request supplementation and amendment thereto within five business days after receiving the filing documents. The issuer shall then complete supplementation and amendment within thirty business 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 such a declaration has been obtained, the shareholder may apply to the company for the issue of a replacement certificate(s).

Merger and Demerger

Merger of companies may be conducted by absorption or consolidation. If companies adopt the method of absorption, the absorbed company shall be dissolved. If companies are incorporated in the form of consolidation, the parties to the merger shall be dissolved.

The parties to the merger shall enter into a merger agreement and prepare a balance sheet and a list of properties. Within ten days of the date on which the resolution on merger is made, the creditors shall be notified by the company and a public announcement shall be in the press or on the National Enterprise Credit Information Publicity System within thirty days. The creditors may require the company to repay its debts or provide guarantees for covering the debts within thirty days of receipt of the notification or within forty-five days of the date of the announcement if the creditor has not received any notification; and in case of a merger, the credits and debts of the merging parties shall be assumed by the surviving or the new company.

Where a company merges with another company in which the former holds not less than 90% of the shares, the acquired company is not required to obtain approval by resolution of its shareholders' general meeting, but shall notify the other shareholders who have the right to request the company to buy its equities or shares as a reasonable price. If the price paid for a company's merger does not exceed 10% of the company's net assets, approval by resolution of its shareholder's meeting may not be required unless otherwise provided by the company's articles of association. Where a company's merger is exempt from approval by resolution of the shareholders' general meeting in the previous two cases, it shall be subject to approval by resolution of the board of directors.

In case of a division, the company's assets shall be divided and a balance sheet and an inventory of assets shall be prepared. Within ten days of the date on which the resolution on division is made, the creditors shall be notified by the company and a public announcement shall be made in the press or on the National Enterprise Credit Information Publicity System within thirty days. The liabilities of the company which have accrued prior to the division shall be jointly borne by the separated companies, unless otherwise stipulated in the agreement in writing entered into by the company with creditors in respect of the settlement of debts prior to division.

The PRC Securities Law, Regulations and Regulatory Regimes

The PRC has promulgated a series of regulations that relate to the issue and trading of the shares and disclosure of information. In October 1992, the State Council established the Securities Committee and 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 governing securities markets, supervising securities companies, regulating public offerings of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking relevant research and analysis. In April 1998, the State Council consolidated the Securities Committee and the CSRC and reformed the CSRC.

The PRC Securities Law is the first national securities law in China, and the regulatory matters include the issuance and trading of securities, the acquisition of listed companies, information disclosure, obligations and responsibilities of stock exchanges, securities companies and securities regulatory authorities, etc. The PRC Securities Law comprehensively regulates activities in the PRC securities market.

Pursuant to the PRC Securities Law, domestic enterprises issuing securities overseas directly or indirectly or listing and trading their securities overseas shall comply with the relevant provisions of the State Council. At present, the issuance and trading of shares issued overseas is mainly regulated by rules and regulations issued by the State Council and the CSRC.

Arbitration and Enforcement of Arbitral Awards

The PRC Arbitration Law (《中華人民共和國仲裁法》) was enacted by the SCNPC on 31 August 1994, which became effective on 1 September 1995 and was last amended on 1 September 2017. The PRC Arbitration Law provides that an arbitration committee may, before the promulgation of arbitration regulations by the PRC Arbitration Association, formulate interim arbitration rules in accordance with the PRC Arbitration Law and the PRC Civil Procedure Law. Where the parties have agreed to settle disputes by means of arbitration, a people's court will refuse to handle a legal proceeding initiated by one of the parties at such people's court, unless the arbitration agreement is invalid.

Under the PRC Arbitration Law and the PRC Civil Procedure Law, an arbitral award shall be final and binding on the parties involved in the arbitration. If any party fails to comply with the arbitral award, the other party to the award may apply to a people's court for its enforcement.

If the respondent puts forward evidence to prove that the arbitral award is under any of the following circumstances, the award shall not be enforced upon examination and verification by an arbitration tribunal of the people's court:

(i) the parties have no arbitration clause in their contract, nor have subsequently reached a written agreement on arbitration;

(ii) the matter to be ruled does not fall within the scope of the arbitration agreement or the arbitration institution has no right to arbitrate;

(iii) the composition of the arbitration tribunal or the arbitration procedure violates the legal procedure;

(iv) the evidence on which the award is based is forged;

(v) the other party conceals evidence sufficient to influence the impartial award from the arbitration institution;

(vi) the arbitrators have committed acts of embezzlement, bribery, favoritism and malpractice, or perverting the law in arbitrating the case.

If the people's court determines that the enforcement of the award violates the public interest, the award shall not be enforced.

Any party seeking to enforce an arbitral award of a foreign affairs arbitration organ of the PRC against a party who or whose property is not located within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of the award. Likewise, an arbitral award made by a foreign arbitration body may be recognized and enforced by a PRC court in accordance with the principle of reciprocity or any international treaties concluded or acceded to by the PRC.

The PRC acceded to *the Convention on the Recognition and Enforcement of Foreign Arbitral Awards* (《承認及執行外國仲裁裁決公約》) (the "**New York Convention**") adopted on 10 June 1958 pursuant to a resolution of the SCNPC passed on 2 December 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by other parties thereto subject to their rights to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of that state. At the time of the PRC's accession to the convention, the SCNPC declared that (i) the PRC will only apply the New York

Convention to the recognition and enforcement of arbitral awards made in the territory of another contracting state based on the principle of reciprocity; and (ii) the New York Convention will only apply to disputes deemed under PRC law to be arising from contractual or non-contractual mercantile legal relations.

The Arrangements on the Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《關於內地與香港特別行政區相互執行仲裁裁決的安排》) were passed at the Judicial Committee meetings of the Supreme People's Court on 18 June 1999, which went into effect on 1 February 2000. *The Supplementary Arrangements of Supreme People's Court on Reciprocal Enforcement of Arbitration Awards between the Mainland and the Hong Kong Special Administrative Region* (《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》) were promulgated by the Supreme People's Court on 26 November 2020. Under these arrangements, if a party fails to perform the arbitral award rendered in the Mainland or the Hong Kong, the other party may apply for enforcement to the relevant court in the place where the respondent is domiciled or where the property is located.

Judicial Judgement and its Enforcement

On 14 January 2019, the Judicial Committee of the Supreme People's Court adopted *the Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region* (《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》), which took effect on 29 January 2024 and seeks to establish a mechanism with greater clarity and certainty for recognition and enforcement of judgements in wider range of civil and commercial matters between Hong Kong and the mainland China. The arrangement discontinued the requirement for a choice of court agreement for bilateral recognition and enforcement. The arrangement further regulates, among others, the scope and particulars of judgements, the procedures and methods of the application for recognition or enforcement, the review of the jurisdiction of the court that issued the original judgement, the circumstances where the recognition and enforcement of judgement shall be refused, and the approaches towards remedies for the reciprocal recognition and enforcement of judgements in civil and commercial matters between the courts in mainland China and those in the Hong Kong. Upon implementation of this Arrangement, *the Arrangement between the Mainland and the Hong Kong Special Administrative Region on Reciprocal Recognition and Enforcement of Judgements of Civil and Commercial Matters under Consensual Jurisdiction* (《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》) which was adopted by the Judicial Committee of the Supreme People's Court on 12 June 2006 and took effect on 1 August 2008 has been repealed.

This Appendix is mainly providing potential [**REDACTED**] with an overview on the Articles of Association of the Company. The following information is only a summary, not covering all the information that may be material to potential [**REDACTED**].

INCREASE/DECREASE, REPURCHASE AND TRANSFER OF SHARES

Increase/Decrease of Shares

The Company may, in light of its operational and development needs and in accordance with laws and regulations, increase its capital under any of the following methods, subject to the resolution made separately at a General Meeting:

(1) issuing shares in a [**REDACTED**];

(2) issuing shares via a private placement;

(3) distribution of bonus shares to existing Shareholders;

(4) converting the reserved funds into share capital;

(5) any other methods provided for in law and administrative regulations and approved by the CSRC.

The Company may reduce its registered capital. Any reduction of its registered capital shall be subject to the procedures prescribed in the PRC Company Law, and other applicable provisions, as well as the Articles of Association.

Repurchase of Shares

The Company shall not acquire its own shares, except under any of the following circumstances:

(1) where it reduces its registered capital;

(2) where it merges with any other company that holds its shares;

(3) where it uses its shares for an employee stock ownership plan or equity incentive;

(4) where any shareholder who holds objections to the resolution on the merger or division of the Company made at the General Meeting of shareholders requires the Company to purchase his/its shares;

(5) where it uses its shares for the conversion of the convertible corporate bonds which are issued by the Company; and

(6) where it is necessary for the Company to acquire its own shares to maintain the value of the Company and shareholders' rights and interests;

(7) any other circumstances permitted by laws, administrative regulations, departmental rules, regulatory rules of the place where the company's shares are [**REDACTED**], etc.

A resolution of a General Meeting is required for repurchasing shares under circumstances specified in items (1) or (2) above. In accordance with the provisions of the Articles of Association or the authorization of the General Meeting, a resolution of a meeting of the Board of Directors with a quorum of more than two-thirds of Directors is required for repurchasing shares under circumstances (3), (5) or (6) above.

After the Company repurchases Shares in accordance with the law, it shall cancel such Shares within the time limit prescribed by laws and administrative regulations, and apply to the original company registration authority for change in registration of registered capital. After the company acquires the Shares of the Company in accordance with the case of item (1) above, it shall be cancelled within ten days from the date of acquisition; in the case of items (2) and (4), it shall be transferred or cancelled within six months; in the case of items (3), (5) and (6), the total number of shares of the Company held by the Company shall not exceed 10% of the total issued Shares of the Company, and they should be transferred or cancelled within three years.

For any repurchase in above circumstances (3), (5) or (6), centralized trading shall be adopted publicly.

Transfer of Shares

The shares that have been issued before the Company [**REDACTED**] shares shall not be transferred within one year from the date when the shares in the Company get [**REDACTED**] and [**REDACTED**] in the [**REDACTED**] concerned. Where it is otherwise provided for in any law, administrative regulation or by the securities regulatory authority of the State Council for the transfer of shares held by the shareholders or actual controllers of a [**REDACTED**] company, such provisions shall prevail.

The directors, supervisors and senior executives of the Company shall 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 shall not exceed 25% of the total shares they hold of the Company. The shares of the Company held by them shall not be transferred within 1 year as of the day when the [**REDACTED**] of the Company are [**REDACTED**] and [**REDACTED**] on the [**REDACTED**]. Any of the aforesaid persons shall not transfer the shares of the Company held within six months after he/she leaves office.

SHAREHOLDERS AND GENERAL MEETING

Shareholders

The shareholders of the Company shall be entitled to the following rights:

(1) the right to receive dividends and benefits distributed in other forms based on the number of shares they hold;

(2) the right to require, convene, preside over, participate in or send proxies of shareholders to attend General Meeting, speak at General Meeting and to exercise the corresponding voting rights according to the laws;

(3) the right to supervise, make suggestions on or question the Company's operations;

(4) the right to transfer, donate or pledge their shares according to the law, administrative regulations and the Articles of Association;

(5) the right to consult the Articles of Association, the register of shareholders (including the [**REDACTED**]), corporate bond stubs, minutes of General Meetings, Board of Directors' resolutions, Supervisory Committee' resolutions and financial accounting reports;

(6) the right to participate in the distribution of the Company's residual assets based on the number of shares they held when the Company terminates or liquidates;

(7) any shareholder who has a different view on a resolution on the merger or division of the Company made by a General Meeting has the right to require the Company to buy back his/its shares; and

(8) other rights prescribed in laws, administrative regulations, departmental rules or the Articles of Association.

Where any resolution of the General Meeting or of the Board of Directors violate any law or administrative regulation, the shareholders may request the court to invalidate such resolution.

Where the convening procedure or voting method for the General Meeting or the Board of Directors meetings violate any law, administrative regulation or the Articles of Association, or any resolution thereof violates the Articles of Association, the shareholders may request the court to cancel the resolution within 60 days of the date on which the resolution is made. However, a shareholder shall have no right to do so if only minor flaws exist in the convening procedures or voting method of a General Meeting or a board meeting, which have no material impact on the resolution.

The Shareholders of the Company shall undertake the following obligations:

(1) to comply with laws, administrative regulations and the Articles of Association;

(2) to pay share capital according to the shares subscribed for and the method of shares subscription;

(3) not to withdraw shares, except for the circumstances stipulated by laws and regulations;

(4) not to abuse his/its shareholders' rights to damage the Company's interests or other shareholders; not to abuse the independent legal person status of the Company or the limited liabilities of shareholders to damage the interests of the Company's creditors; and

(5) to perform any other obligation as provided by laws, administrative regulations, and the Articles of Association.

Any shareholder of the Company who abuses his/its shareholders' rights and thereby causes losses to the Company or any other shareholder shall be liable for compensation according to the law. Any shareholder of the Company who abuses the independent legal person status of the Company and the limited liability of shareholders in order to evade debts and thereby seriously damages the interests of the Company's creditors shall assume joint and several liability for the Company's debts.

The controlling Shareholder or actual controller of the Company shall not utilize its related-party relationship against the interests of the Company, or else, shall compensate the Company for any loss incurred.

General Rules for General Meetings

The General Meeting shall be the authority of the Company and shall exercise the following powers and functions in accordance with the law:

(1) to elect and remove any director or supervisor (not including employee representative(s)), and to determine the remuneration of the relevant Directors and Supervisors;

(2) to review and approve the reports of the Board of Directors;

(3) to review and approve the reports of the Supervisory Committee;

(4) to review and approve the Company's annual financial budgets and final accounts plans;

(5) to review and approve the Company's profit distribution plans and loss recovery plans;

(6) to resolve on the Company's increase/decrease of registered capital;

(7) to make a resolution on the issuance of corporate bonds;

(8) to resolve on the Company's merger, division, spin-off, dissolution, liquidation or change of its corporate form;

(9) to modify the Articles of Association;

(10) to decide on the engagement, dismissal and non-renewal of the appointment of the accounting firm and the audit fee of the accounting firm or the method of determining the audit fee;

(11) to approve upon deliberation the guarantees specifically provided in the Articles of Association;

(12) to deliberate purchases and sales of significant assets within a year exceeding 30% of the Company's total assets as audited in the latest period;

(13) to consider and approve upon deliberation changes in the use of funds raised;

(14) to deliberate equity incentive plans and employee stock ownership plans;

(15) to consider upon repurchasing of the Company's shares in accordance with the provisions of the Articles of Association;

(16) consider and approve significant transactions or related party transactions required by laws, administrative regulations, the Listing Rules and the Articles of Association to be considered and approved by the General Meeting;

(17) to deliberate other matters to be decided by General Meetings prescribed by law, administrative regulation, departmental regulation, normative documents, relevant regulations of the Listing Rules and the provisions of the Articles of Association.

The General Meeting may authorize or entrust the Board of Directors to handle the matters authorized or entrusted, provided that it does not violate the mandatory provisions of laws and regulations and the [**REDACTED**] of the [**REDACTED**] location.

There are two types of General Meetings: annual General Meeting and extraordinary General Meeting. The annual General Meeting shall be convened once a year, and be held within six months from the end of last accounting year.

The Company shall hold extraordinary General Meeting within two months from the date of occurrence of any of the following events:

(1) the number of directors is less than the quorum required by the PRC Company Law, or less than two-thirds of the quorum required by the Articles of Association;

(2) the outstanding losses of the Company accounts for one-third of the Company's total paid-in share capital;

(3) shareholder(s) individually or jointly holding at least 10% shares of the Company send(s) a written request for meeting;

(4) the Board of Directors deems necessary;

(5) the Supervisory Committee proposes to convene the meeting;

(6) more than half of the independent non-executive directors of the company agree to convene the meeting;

(7) other circumstances stipulated by laws, administrative regulations, departmental rules, regulatory rules of the place where the company's shares are [**REDACTED**] or the Articles of Association.

Convening of a Shareholders' General Meeting

The independent non-executive directors have the right to propose to the Board of Directors to convene an extraordinary General Meeting. With respect to a proposal by an independent non-executive director to convene an extraordinary General Meeting, the Board of Directors shall, in accordance with the laws, administrative regulations, regulatory rules of the place where the company's shares are [**REDACTED**] and the provisions of the Articles of Association, provide a written feedback on whether it agrees or disagrees with the convening of an extraordinary General Meeting within ten days of receipt of the proposal. If the Board of Directors agrees to convene an extraordinary General Meeting, it shall issue a notice of the convening of the General Meeting within five days after the Board of Directors' resolution is made; if the Board of Directors does not agree to convene an extraordinary General Meeting, it shall state the reasons therefor in writing and make a public announcement thereof.

The Supervisory Committee shall have the right to propose to the Board of Directors to convene an extraordinary General Meeting, and the Supervisory Committee shall propose in writing to the Board of Directors when it proposes to convene an extraordinary General Meeting. The Board of Directors shall, in accordance with laws, administrative regulations, the Listing Rules and the provisions of the Articles of Association, provide written feedback on whether it agrees or disagrees with the convening of an extraordinary General Meeting within ten days after receipt of the proposal. If the Board of Directors agrees to convene an extraordinary General Meeting, it shall issue a notice of the convening of the General Meeting within five days after it has made a resolution of the Board of Directors, and any changes to

the original proposal in the notice shall be approved by the Supervisory Committee. If the Board of Directors does not agree to convene an extraordinary General Meeting, or fails to provide feedback on the proposal within ten days after receipt of the proposal, it shall be deemed that the Board of Directors is unable to fulfill, or fails to fulfill, its duty to convene a General Meeting, and the Supervisory Committee may convene and preside over an extraordinary General Meeting on its own.

Shareholders who individually or collectively hold 10% or more of the shares of the Company shall have the right to request the Board of Directors to convene an extraordinary General Meeting, and any proposal by a shareholder to convene an extraordinary General Meeting shall be made in writing to the Board of Directors. The Board of Directors shall, in accordance with the laws, administrative regulations, the Listing Rules and the provisions of the Articles of Association, provide written feedback on whether it agrees or disagrees with the convening of an extraordinary General Meeting within ten days after receiving the request. Where the Board of Directors agrees to convene an extraordinary General Meeting, it shall issue a notice of convening the General Meeting within five days after the Board of Directors' resolution is made, and shall obtain the consent of the relevant shareholders for any changes to the original request as set out in the notice. If the Board of Directors does not agree to convene an extraordinary General Meeting or fails to respond within ten days after receiving the request, shareholders holding individually or collectively 10% or more of the shares of the Company shall have the right to propose to the Supervisory Committee to convene an extraordinary General Meeting, and the shareholders' proposal to the Supervisory Committee to convene an extraordinary General Meeting shall be made in writing to the Supervisory Committee. If the Supervisory Committee agrees to convene an extraordinary General Meeting, it shall issue a notice of the convening of the General Meeting within five days upon receipt of the request, and shall obtain the consent of the relevant shareholders for any changes to the original request in the notice. If the Supervisory Committee fails to give notice of a General Meeting within the prescribed period, it shall be deemed that the Supervisory Committee does not convene and preside over the General Meeting, and that shareholders who have individually or collectively held 10% or more of the Company's shares for a period of ninety consecutive days or more may convene and preside over the meeting on their own.

If the Supervisory Committee or the shareholders convene a General Meeting on their own, the necessary expenses shall be borne by the Company.

Notice of General Meetings

The Company shall give written notice of an annual General Meeting at least twenty-one days before the meeting, and the Company shall give written notice of an extraordinary General Meeting fifteen days before the meeting.

The notice of a General Meeting shall include the following contents:

(1) the time and place of the meeting and the duration of the meeting;

(2) matters and proposals to be submitted for consideration at the meeting;

(3) a statement in conspicuous language that all shareholders have the right to attend the meeting and may appoint a proxy in writing to attend and vote at the meeting, and that the proxy need not be a shareholder of the Company;

(4) the registration date of the shareholders entitled to attend the General Meeting;

(5) the name and telephone number of the standing contact person for the meeting;

(6) the time and procedure for voting by internet or other means; and

(7) other contents stipulated in relevant laws, regulations, departmental rules, regulatory rules of the place where the Company's shares are [**REDACTED**] and the Articles of Association.

The notice of General Meeting and supplemental notice shall contain the contents as required by laws, administrative regulations, departmental rules, the Listing Rules of the Stock Exchange and the Articles of Association, and shall fully and completely disclose all specific details of all proposals. Where the matters to be discussed require the opinion of the independent non-executive directors, the opinion of the independent non-executive directors and the reasons therefor will be disclosed at the same time when the notice of General Meeting or supplementary notice is published. The notice of General Meeting shall provide a full and clear explanation of the proposals for the meeting and, in respect of the motions to be voted on, the directors' recommendations on how the shareholders should vote in the best interests of the shareholders as a whole. The notice of General Meeting should clearly state whether (and how) shareholders who participate in the meeting remotely may vote.

Proposals at General Meeting

When the Company convenes a General Meeting, the Board of Directors, the Supervisory Committee, and shareholders who individually or collectively hold more than 1% of the Company's shares shall have the right to submit proposals to the Company. The convener shall include in the agenda of the General Meeting those items in the proposal that fall within the scope of the duties of the meeting.

Shareholders who individually or collectively hold more than 1% of the shares of the Company may, ten days prior to the date of the General Meeting, propose an interim proposal and submit it in writing to the convener. The convener shall issue a supplementary notice of the General Meeting within two days after receiving the proposal, announcing the contents of the interim proposal.

Except for the cases stipulated in the preceding paragraph, the convener shall not amend the proposals already set forth in the notice of General Meeting or add new proposals after the convener has issued the notice of General Meeting.

Proxy for General Meeting

A shareholder shall appoint a proxy in writing under the signature of the principal or under the signature of his proxy appointed in writing; if the principal is a legal person, the seal of the legal person shall be affixed or the signature shall be that of its director or duly appointed proxy.

Resolutions at General Meeting

Resolutions at General Meetings can be divided into ordinary resolutions and special resolutions.

Ordinary resolutions shall be passed by a majority of the votes of the shareholders (including shareholders' proxies) present at the General Meeting.

Special resolutions shall be passed by more than two-thirds of the votes of the shareholders (including shareholders' proxies) present at the General Meeting.

Shareholders (including shareholders' proxies) exercise their voting rights by the number of voting shares they represent, with each share entitled to one vote.

The following matters shall be approved by ordinary resolution at the General Meeting:

(1) a report on the work of the Board of Directors or the Supervisory Committee;

(2) profit distribution plan and loss recovery plan prepared by the Board of Directors;

(3) appointment and removal of members of the Board of Directors and the Supervisory Committee and their remuneration and methods of payment;

(4) the annual budget plan and final account plan of the Company;

(5) the annual report of the Company; and

(6) matters other than those prescribed by laws, administrative regulations, the [**REDACTED**] of the [**REDACTED**] on which the Company's shares are [**REDACTED**], or the Articles of Association, which shall be passed by special resolution.

The following matters shall be passed by special resolution at a General Meeting:

(1) the increase or reduction of the registered capital of the Company;

(2) the separation, division, merger, dissolution and liquidation of the Company;

(3) amendments to the Articles of Association of the Company;

(4) the purchase or sale of material assets or the amount of guarantees by the Company within one year that individually or cumulatively exceeds 30% of the Company's total audited assets for the most recent period;

(5) equity incentive plan;

(6) repurchase of the Company's shares; and

(7) any other matters required by laws, administrative regulations, the [**REDACTED**] of the [**REDACTED**] on which the Company's shares are [**REDACTED**] or the Articles of Association, and any other matters which the General Meeting may by ordinary resolution determine will have a material impact on the Company and which require the approval of a special resolution.

When matters relating to connected transactions (as defined in the Listing Rules) are considered at a General Meeting, shareholders constituting connected persons (as defined in the Listing Rules) (hereinafter referred to as the "connected shareholders") shall not participate in the voting, and the number of voting shares represented by them shall not be counted towards the total number of valid votes cast; and the announcement of the resolution of the General Meeting shall provide adequate disclosure of the voting status of the non-connected shareholders.

DIRECTORS AND BOARD OF DIRECTORS

Directors

The directors of the Company are natural persons.

Directors are elected or replaced by the General Meeting and may be removed by an ordinary resolution of the General Meeting before the expiration of their terms of office. The term of office of the directors is three years and they are eligible for re-election.

The term of office of a director is calculated from the date of assumption of office until the expiration of the current term of office of the Board of Directors. If a director is not re-elected in time for the expiration of his/her term of office, or if a director resigns during his/her term of office resulting in less than a quorum of the Board of Directors, or resulting in the Company being unable to satisfy the other Listing Rules, the original director shall still fulfill his/her duties as a director in accordance with the provisions of laws, administrative regulations, departmental rules and the Articles of Association until the re-elected director assumes office.

A director may resign before the expiration of his term of office. A director who resigns shall submit a written resignation report to the Board of Directors. The Board will disclose the relevant circumstances within two days.

In the event that the Board of Directors of the Company becomes less than a quorum due to the resignation of a director, the original director shall still perform the duties of a director in accordance with the laws, administrative regulations, departmental regulations and the provisions of the Articles of Association until the re-elected director assumes office.

Except for the circumstances listed in the preceding paragraph, the resignation of a director shall take effect from the time the resignation report reaches the Board of Directors.

Chairman of the Board

The Board of Directors shall have one chairman and may have the vice-chairman(s) as the case may be, who shall be elected by the Board of Directors by a majority of all the directors. The term of office shall be three years, renewable upon re-election.

The chairman of the Board of Directors is entitled to the following functions and powers:

(1) to preside over General Meetings and to convene and preside over board meetings;

(2) to supervise and check on the implementation of resolutions of the General Meeting and the Board of Directors;

(3) to exercise other functions and powers as conferred by the Board of Directors.

Board of Directors

The Board of Directors shall consist of 11 directors, of which not less than 3 shall be independent non-executive directors and shall constitute at least one-third of the Board.

The Board of Directors shall be accountable to the General Meeting and exercise the following powers and functions:

(1) to convene the General Meeting and report to the General Meeting on its work;

(2) to execute the resolutions of the General Meeting;

(3) formulating strategic plans for the medium- and long-term development of the Company and monitoring and adjusting their implementation;

(4) determining the Company's business objectives, business plans and investment and financing programs;

(5) to formulate the annual financial budget and finalization plan of the Company;

(6) to formulate the profit distribution plan and the loss recovery plan of the Company;

(7) to formulate plans for the increase or reduction of the registered capital, [**REDACTED**] and [**REDACTED**] of the Company;

(8) formulating plans for major acquisitions, acquisition of the Company's shares, or mergers, demergers, dissolutions or changes in the form of the Company;

(9) within the scope of authorization by the General Meeting or in accordance with regulatory rules of the place where the company's shares are [**REDACTED**], to decide on the Company's external investment, acquisition and disposal of assets, pledge of assets, external guarantee matters, entrustment of financial affairs, connected transactions, and external donations;

(10) to decide on the establishment and staffing of the corresponding working organizations of the Board of Directors and the internal management organizations of the Company;

(11) to decide to appoint or dismiss the general manager of the Company, and decide on his remuneration, rewards and punishments; according to the nomination of the general manager, decide to appoint or dismiss the deputy general manager, the Secretary to the Board of Directors, the Chief Financial Officer and other Senior Executives personnel of the Company, and decide on their remuneration, rewards and punishments;

(12) to formulate the basic management system of the Company;

(13) to formulate proposals for amendments to the Articles of Association;

(14) to manage the disclosure of information of the Company;

(15) proposing to the General Meeting the appointment or replacement of the accounting firm for the audit of the Company;

(16) to receive reports on the work of the general manager of the Company and to inspect the work of the general manager;

(17) to authorize the chairman of the Board of Directors and the general manager of the Company to decide on major matters of the Company within the scope of authorization;

(18) overseeing and approving major environmental, social and governance matters, identifying potential risks in business development plans and making decisions based on the recommendations made; and

(19) other duties and responsibilities as stipulated in the laws, regulations and the [**REDACTED**] of the [**REDACTED**] where the Company's shares are [**REDACTED**], and as conferred by the General Meeting and the Articles of Association.

The resolution of the Board of Directors in the preceding paragraph shall be approved by a majority vote of the Directors.

The Board of Directors of the Company shall give an explanation to the General Meeting regarding the non-standard audit opinion on the Company's financial reports issued by the certified public accountants.

Board meetings are divided into regular and ad hoc meetings. The Board of Directors shall hold at least two regular meetings each year, which shall be convened by the Chairman of the Board of Directors.

Notification of the convening of the Board of Directors and interim Board of Directors meetings shall be made by hand delivery, mail or facsimile; and the time limit for notification shall be as follows: fourteen days prior to the convening of a regular meeting of the Board of Directors, and in principle, three days prior to the convening of an interim Board of Directors meeting, all Directors, Supervisors, the General Manager, and the Secretary of the Board of Directors shall be notified in writing of the convening of the Board of Directors' meeting.

In case of emergency, if it is necessary to convene an interim board meeting as soon as possible, notice of the meeting may be given by telephone or other verbal means at any time, but the convener shall give an explanation at the meeting and record it in the minutes.

When voting on board resolutions, each director shall have one vote.

The voting options open to directors are consent, opposition or abstention. The directors present at a meeting shall select one from among the foregoing options. If a director fails to select any of the options or selects two or more of the options, the chairman of the meeting shall require him or her to select again. If he or she refuses to make a selection, he or she shall be deemed to abstain. If a director leaves the venue during the course of a meeting without returning to make a selection, he or she shall be deemed to abstain.

If at least one-quarter of the directors present at the meeting or at least two independent non-executive directors believe that they are unable to reach a determination on a relevant matter because the motion of the Board of Directors is unclear or unspecific, the meeting materials are insufficient or other such reason, they may jointly propose that discussion of the motion in question may be postponed to a later time. In such circumstances, the Board of Directors shall accept the proposal.

GENERAL MANAGER AND OTHER SENIOR EXECUTIVES

The Company has a general manager, who is nominated by the chairman of the Board of Directors and appointed or dismissed by the Board of Directors. According to the needs, there may be a number of deputy general managers, a Chief Financial Officer and a Secretary of the Board of Directors. The term of office of the general manager and deputy general manager shall be three years, and they may be reappointed for a second term.

The general manager shall be responsible to the Board of Directors and exercise the following powers and functions:

(1) to preside over the production and operation management of the Company, to organize and implement the resolutions of the Board of Directors, and to report to the Board of Directors on his work;

(2) organize and implement the annual business plan and investment plan of the Company;

(3) to formulate plans for the establishment of the Company's internal management organization;

(4) to formulate the basic management system of the Company;

(5) to formulate specific rules and regulations of the Company;

(6) to propose to the Board of Directors the appointment or dismissal of the Vice President, Chief Financial Officer, Secretary of the Board of Directors and other Senior Executives personnel of the Company;

(7) to be responsible for handling major emergencies of the Company;

(8) Deciding and handling external affairs on behalf of the Company within the scope of the authority delegated by the Board of Directors;

(9) to study and propose the Company's strategic planning and medium and long-term development plans;

(10) to formulate the Company's annual operating budget, investment budget and financial budget plan;

(11) other duties and responsibilities as authorized by the Articles of Association or the Board of Directors.

The Senior Executives of the Company shall faithfully perform their duties to safeguard the best interests of the Company and all shareholders. Senior Executives of the Company shall be liable for compensation in accordance with the law for any damage caused to the interests of the Company and the [**REDACTED**] shareholders as a result of their failure to faithfully perform their duties or breach of the duty of good faith.

SUPERVISORS AND SUPERVISORY COMMITTEE

Supervisors

Directors, general managers and other Senior Executives personnel may not concurrently serve as Supervisors.

Supervisors shall serve terms of three years. Upon expiration of their term, supervisors may serve consecutive terms if re-elected.

Supervisory Committee

The Company has a Supervisory Committee. The Supervisory Committee shall be composed of three supervisors, including one staff representative supervisor, who shall be democratically elected by the staff representative meeting of the Company or in other forms. The Supervisory Committee shall have a chairman, who shall be elected by a majority of all the supervisors.

The Supervisory Committee shall be accountable to the General Meeting and shall exercise the following powers and duties in accordance with the law:

(1) to examine and give written opinions on the periodic reports of the Company prepared by the Board of Directors;

(2) to inspect the Company's financial affairs;

(3) to supervise the conduct of directors and Senior Executives in the performance of their duties in the Company, and to propose the removal of directors and Senior Executives in the event of any violation of the laws, administrative regulations, the Articles of Association, or the resolution of the General Meeting;

(4) to request the directors and Senior Executives to rectify the behavior of the directors and Senior Executives when such behavior is detrimental to the interests of the Company;

(5) to propose the convening of an extraordinary General Meeting, and to convene and preside over the General Meeting in accordance with the law when the Board of Directors fails to fulfill its duty to convene and preside over the General Meeting as stipulated in the PRC Company Law;

(6) to make proposals to the General Meeting;

(7) to institute legal proceedings against directors and Senior Executives in accordance with the provisions of Article 189 of the PRC Company Law;

(8) to investigate any abnormality in the operation of the Company; and if necessary, to engage professional organizations such as accounting firms and law firms to assist it in its work;

(9) other powers and functions conferred by laws, administrative regulations, departmental rules, the Listing Rules or the Articles of Association.

Reasonable expenses incurred by the Supervisory Committee for hiring lawyers, certified public accountants, certified public auditors and other professionals in the exercise of its duties and powers shall be borne by the Company.

ELIGIBILITY AND OBLIGATIONS OF DIRECTORS, SUPERVISORS, AND SENIOR EXECUTIVES

Any person who satisfies the following shall not act as a Director, Supervisor, general manager or other Senior Executives:

(1) who has no or limited civil capacity;

(2) who was sentenced to any criminal penalty for corruption, bribery, embezzlement or misappropriation of properties or destruction of the order of China socialist market-oriented economy, or who was deprived of political rights due to crime, and if no more than five years have passed since the expiration of the sentence, or who was granted probation, if no more than two years have passed since the expiration of the probation period;

(3) who acted as director, factory manager, manager of a bankrupt or liquidated company or corporation, and personally liable for the bankruptcy of such company or corporation, and a three-year period has not elapsed since the completion of bankruptcy or liquidation of such company or corporation;

(4) who acted as the legal representative of a company or corporation whose business licence was revoked or which was ordered to close down due to a violation of law and who is personally accountable for the revocation or closure of such company or corporation, and a three-year period has not elapsed since the revocation of the business licence or the order to close down of such company or corporation;

(5) who was listed as a dishonest person subject to enforcement by the people's court due to failure to pay off a large amount of unliquidated mature debts;

(6) who has been barred from the securities market by the CSRC for a certain period of time and such period has not expired yet;

(7) any other circumstances stipulated by applicable laws, administrative regulations, departmental rules.

The Directors shall comply with the applicable laws, administrative regulations and the Articles of Association and assume the duty of loyalty to the Company. Such obligations include:

(1) shall not accept any bribery or other illegal income by using his or her powers and position and shall not seize the assets of the Company;

(2) shall not misappropriate the Company's funds;

(3) shall not open accounts in his/her own name or in the names of others to deposit funds or assets of the Company;

(4) shall not lend the Company's funds to others or pledge Company's properties to others in violation of the Articles of Association or without the approval of the General Meeting or the Board;

(5) himself/herself and his/her close relatives, enterprises directly or indirectly controlled by himself/herself and his/he close relatives, and other connected persons of the Directors shall not enter into contracts or transactions with the Company in violation of the provisions of the Articles of Association or without the consent of the General Meeting;

(6) without the consent of the General Meeting, shall not take advantage of the convenience of his/her duties to obtain for himself/herself or others business opportunities that should belong to the Company, and to engage in the operation of similar businesses with the Company on himself/herself or for others;

(7) shall not accept commissions for transactions between others and the Company as personal gains;

(8) shall not disclose any confidential information involving the Company without authorization;

(9) shall not impair the interests of the Company through affiliated relationship;

(10) other loyalty obligations in accordance with applicable laws, administrative regulations, departmental rules and the Articles of Association.

The Senior Executives assume the aforementioned duty of loyalty.

The Directors shall comply with the applicable laws, administrative regulations and the Articles of Association and assume the duty of diligence to the Company. Such obligations include:

(1) shall exercise the powers granted by the Company with carefully, faithfully, and diligently so that the business carried out by the Company is in compliance with applicable laws, administrative regulations and economic policies, and such business activities are within the scope of business licence specified in the Company's business licence;

(2) shall treat all Shareholders equally;

(3) shall stay informed with the business and operation of the Company timely;

(4) shall sign written confirmation opinion with regard to regular reports of the Company and ensure the disclosure made by the Company is true, accurate and complete;

(5) shall report to the Supervisory Committee truthfully and shall not hinder the Supervisory Committee or the Supervisors from performing their duty;

(6) other diligence obligations in accordance with applicable laws, administrative regulations, departmental rules and the Articles of Association.

The Senior Executives assume the aforementioned obligations in items (4), (5) and (6).

Supervisors shall observe laws, administrative regulations and the Company's Articles of Association and shall assume the duty of loyalty and the duty diligence to the Company, not to accept any bribery or other illegal income by using his powers and position, nor seize the assets of the Company in any manner.

FINANCIAL ACCOUNTING POLICY

The Company has formulated the Company's financial accounting system in accordance with the laws of the PRC and the provisions of the PRC Accounting Standards formulated by the relevant state departments.

The financial report of the company shall be made available for inspection by the shareholders at the company not later than twenty-one days before the annual General Meeting. Each shareholder of the corporation shall be entitled to receive the financial reports referred to in this chapter.

The Company shall send the aforesaid report to each shareholder of overseas [**REDACTED**] foreign shares at least twenty-one days prior to the annual General Meeting by postage-paid mail, with the address of the addressee based on the address registered in the register of shareholders. The Company may do so in the form of an announcement (including publication through the Company's website), subject to the fulfillment of the conditions of laws, administrative regulations and the [**REDACTED**] of the place where the Company is [**REDACTED**].

PROFITS DISTRIBUTION

To distribute after-tax profits of current year, the Company shall allocate 10% of profits for the statutory reserves of the Company. If the cumulative amount of statutory reserves exceeds 50% of the registered capital of the Company, no further allocation is required. If the statutory reserves are insufficient to make up previous losses, then the Company shall firstly make up previous losses with current profits, before any allocation is made to the statutory reserves in accordance with the preceding paragraph. After foregoing provision for statutory reserves, the Company may also draw discretionary reserves from after-tax profits, subject to the resolution of the General Meeting. The remaining after-tax profits after loss makeup and provisions for reserves shall be distributed to Shareholders in proportion to their shareholding percentages unless otherwise provided in the Articles of Association. If the General Meeting breaches the foregoing provisions and distributes profits to Shareholders, then Shareholders shall refund the distributed profits to the Company in violation of the foregoing provisions, and where any losses are incurred to the Company, Shareholders and each liable Director, supervisor and Senior Executives shall be liable for compensation for such losses. The shares held by the Company per se shall not participate in the profit distribution.

The reserves of the Company are used to make up losses, expand business, or increase the registered capital of the Company. Where any losses need to be covered with reserves of the Company, discretionary reserves and statutory reserves shall first be used and if still insufficient, capital reserves can be used in accordance with applicable provisions. When the statutory reserves are reversed into increasing capital, the remaining amount of said reserves shall not be less than 25% of the registered capital of the Company before such reversal.

The Company shall appoint a collection agent for the shareholders holding the offshore [**REDACTED**] foreign shares. The collection agent shall collect on behalf of the shareholder concerned the dividends and other moneys payable by the company in respect of the overseas-[**REDACTED**] foreign capital shares and shall hold such moneys in custody on his behalf for payment to the shareholder concerned.

The collection agent appointed by the Company shall meet the requirements of laws of the place of [**REDACTED**] and the relevant regulations of the [**REDACTED**].

The collection agent appointed by the Company for the shareholders of offshore [**REDACTED**] foreign shares [**REDACTED**] on the Stock Exchange shall be a trust company registered in accordance with the Trustee Ordinance of Hong Kong.

Payment of cash dividends and other payments by the Company to the domestic unlisted shareholders shall be made in Renminbi. Cash dividends and other payments by the Company to shareholders of offshore [**REDACTED**] foreign shares shall be denominated and declared in RMB and paid in foreign currencies. Payment of cash dividends and other amounts in foreign currencies by the Company to shareholders of offshore [**REDACTED**] foreign shares and other shareholders of foreign shares shall be made in accordance with the provisions of the relevant state regulations on foreign exchange control.

ENGAGEMENT OF ACCOUNTING FIRM

The Company shall engage an independent accounting firm that complies with the Securities Law to audit the accounting statements, the verification of net assets and other related consulting services, for a term of one year, which can be renewed.

The engagement of an accounting firm by the Company must be decided by the General Meeting, and the Board of Directors shall not appoint an accounting firm before the decision is made by the General Meeting.

The Company guarantees to provide true and complete accounting certificates, accounting books, financial accounting reports, and other accounting information to the accounting firm engaged, and shall not refuse, conceal, or misrepresent such information.

The decision for the Company to employ, terminate or not to re-appoint an accounting firm shall be made by the General Meeting.

MERGER AND DIVISION OF THE COMPANY

The merger of the Company may take two forms: merger by absorption or merger by new establishment.

In a merger of the Company, all parties to a merger shall sign the merger agreement and shall prepare their respective balance sheets and inventory lists of assets. The Company shall notify its creditors within 10 days from the date of passing the merger resolution and to make announcement in newspaper or on the National Enterprise Credit Information Publicity System, as well as on the Company's website and the website of the [**REDACTED**] within 30 days. A creditor has the right within thirty days of receipt of the notice from the Company or, in the case of creditor who does not receive such notice, within forty-five days of the date of announcement, to require the Company to repay its debts or to provide a corresponding guarantee for such debt. Upon the merger, the creditors' rights and the indebtedness of each merging party shall be assumed by the surviving entity or the newly established company resulting from the merger.

Where the Company is to be divided, its assets shall be divided accordingly. In the event of the division of the Company, the parties to such division shall prepare a balance sheet and a list of assets. The Company shall notify its creditors within 10 days from the date of the resolution on such division and shall make a public announcement through newspapers or the National Enterprise Credit Information Publicity System, as well as on the Company's website and the website of the [**REDACTED**] within 30 days from the date of the resolution on such division. The post-division Company shall be jointly and severally liable for the pre-division debts of the Company, unless provided otherwise in a written agreement pertaining to the payment of debts between the Company and its creditors prior to the division.

The Company shall, in accordance with law, apply for change in its registration with the Company registration authority where a change in any item in its registration arises as a result of any merger or division. Where the Company is dissolved, the Company shall apply for cancellation of its registration in accordance with law. Where a new company is established, the Company shall apply for registration thereof in accordance with law.

DISSOLUTION AND LIQUIDATION OF THE COMPANY

The Company shall be dissolved and liquidated upon the occurrence of any of the following events:

(1) expiry of the valid term of the business or the occurrence of other events of dissolution as stated in the Articles of Association;

(2) a resolution for dissolution is passed by a General Meeting;

(3) dissolution is necessary due to a merger or division of the Company;

(4) the Company is revoked of business licence, ordered to close or cancelled according to law;

(5) serious difficulties arise in the operation and management of the Company and its continued existence would cause material loss to the interests of the Shareholders and such difficulties cannot be resolved through other means, in which case Shareholders holding at least 10% of all shareholders' voting rights may petition a people's court to dissolve the Company.

Where the Company is dissolved in accordance with the provisions of items (1), (2), (4) and (5) above, a liquidation committee shall be formed within 15 days after the occurrence of the event of dissolution to deal with matters of the liquidation. The members of the liquidation committee shall be Directors or other persons appointed by a General Meeting. If a liquidation committee is not established in time or the liquidation fails to effect after the establishment of a liquidation committee, the Creditor may apply to the people's court to establish a liquidation committee by their appointment to proceed with the liquidation.

The liquidation committee shall exercise the following functions and powers during the period of liquidation:

(1) to dispose of the property of the Company, and to prepare a balance sheet and a list of properties;

(2) to inform creditors by notice and public announcement;

(3) to dispose of unfinished business of the Company relating to the liquidation;

(4) to pay up all outstanding taxes and tax arising during the liquidation process;

(5) to clear up claims and debts;

(6) to distribute the residual properties of the Company after the full settlement of debts;

(7) to represent the Company in civil litigations.

The liquidation committee shall notify the creditors within 10 days after its establishment, and publish announcements in the newspaper(s) or on the National Enterprise Credit Information Publicity System within 60 days.

Creditors shall, within thirty days from the date of receiving the notice; or for creditors who do not receive the notice, within 45 days from the date of the public announcement, declare their claims to the liquidation committee.

The creditor shall provide a description and supporting evidence of the matters relating to their claims. The liquidation committee shall register the creditors' claims.

The liquidation committee shall not make any debt settlement during the period of declaration of claims.

A liquidation plan shall be formulated by the liquidation committee after the stocktaking of the Company's assets has been carried out and the balance sheet and a detailed inventory of assets have been formulated, and shall be submitted to the General Meeting or People's Court for confirmation.

The assets of the Company shall be applied for liquidation in the following order: payment of liquidation expenses, staff wages, social insurance expenses and statutory compensation, payment of outstanding taxes, and payment of the Company's debts. The residual assets of the Company after settlement of all liabilities in accordance with the provisions of the preceding article shall be distributed to the Shareholders of the Company according to the proportion of their shareholdings.

During the liquidation period, the Company shall continue to exist but shall not commence any new business activities. Before the Company's debts have been fully repaid in accordance with the provisions of the preceding paragraph, no assets of the Company shall be distributed to its Shareholders.

When the liquidation committee, having 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 immediately apply to the People's Court for a declaration of insolvency.

Once the People's Court has declared the Company insolvent, the liquidation committee shall turn over any matters regarding the liquidation to the People's Court.

Upon completion of the liquidation of the Company, the liquidation group shall prepare a liquidation report as well as a statement of income and expenditure and financial books during the liquidation period, which shall be verified by a certified public accountant in the PRC and reported to the General Meeting or the People's Court for confirmation, and within thirty days from the date of the confirmation by the General Meeting or the People's Court, shall submit the aforesaid documents to the Company's registration authority, apply for the cancellation of the Company's registration, and announce the Company's termination of its operation.

AMENDMENT TO THE ARTICLES OF ASSOCIATION

The Company may amend the Articles of Association in accordance with laws, administrative regulations and the provisions of the Articles of Association. Under one of the following circumstances, the Company shall amend the Articles of Association:

(1) after the amendment of the PRC Company Law, the Listing Rules or the relevant laws and administrative regulations, the matters provided for in the Articles of Association are inconsistent with the provisions of the amended laws and administrative regulations;

(2) changes in the circumstances of the Company which are inconsistent with the matters recorded in the Articles of Association; and

(3) the General Meeting decides to amend the Articles of Association.

If the amendments to the Articles of Association resolved by the General Meeting should be subject to the approval of the competent authorities, they shall be reported to the competent authorities for approval. If the amendment involves matters relating to the registration of the Company, the amendment shall be registered in accordance with the law. Matters relating to the amendment of the Articles of Association that are required by laws and regulations to be disclosed shall be announced in accordance with the regulations.

A. FURTHER INFORMATION ABOUT THE GROUP

1. Establishment of the Company

The Company was established as a limited liability company in the PRC on December 16, 2019 and was converted into a joint stock limited company on July 26, 2023 under the laws of the PRC. Our registered office is located at No. 28 Luoxin Road, Baoshan District, Shanghai, PRC. As of the Latest Practicable Date, the registered share capital of the Company is RMB57,613,953.

The Company has established a place of business in Hong Kong at Room 1919, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong, and [has] been registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance. Ms. Fong Christine Haiman (方希琳), one of our joint company secretaries, has been appointed as our Hong Kong authorized representative for acceptance of service of process and notices in Hong Kong whose correspondence address is the same as our place of business in Hong Kong. The address for service of process on our Company in Hong Kong is the same as our principal place of business in Hong Kong as set out above.

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 provisions of our Articles of Association is set out in "Appendix VI — Summary of Articles of Association".

2. Changes in the Share Capital of the Company

As of the Latest Practicable Date, the registered share capital of our Company was RMB57,613,953 divided into 57,613,953 Unlisted Shares with a nominal value of RMB1.0 each. Further, our Company expects to subdivide its Share from one Share of RMB1.0 each into five Shares of RMB0.20 each immediately prior to the [**REDACTED**].

Save as disclosed above, there has been no alteration in the share capital of the Company within two years immediately preceding the date of this document.

3. Changes in the Share Capital of Our Subsidiaries

Details of our subsidiaries are set out in "History, Development and Corporate Structure — Our Subsidiaries" and Note 1 to the Accountants' Report as set out in Appendix I to this document.

Save as disclosed above, there has been no alteration of share capital of our subsidiaries within two years immediately preceding the date of this document.

4. Resolutions of Our Shareholders

Pursuant to the resolutions passed at a duly convened general meeting of our Shareholders held on January 21, 2025, the following resolutions, among others, were passed by the Shareholders:

(a) the sub-division of the Shares with nominal value of RMB1.0 each on the basis of 1:5, effective immediately prior to the [**REDACTED**], and taking into account the Share Subdivision, the issue of H Shares of nominal value of RMB0.2 each and such H Shares be [**REDACTED**] on the [**REDACTED**];

(b) the issue of H Shares with a nominal value of RMB0.2 each and such H Shares being [**REDACTED**] on the [**REDACTED**];

(c) the number of H Shares to be issued shall not be more than 25% of the total issued share capital of the Company as [**REDACTED**] by the [**REDACTED**] (without taking into account of any H Shares which may be issued upon the exercise of the [**REDACTED**]), and the grant to the [**REDACTED**] (or their representatives) of the [**REDACTED**] of not more than [**REDACTED**]% of the number of H Shares initially available under the [**REDACTED**];

(d) subject to the completion of the filing with the CSRC, upon completion of the Share Subdivision and the [**REDACTED**], no more than [119,748,850] Unlisted Shares in aggregate held by certain existing Shareholders will be converted into H Shares on a one-for-one basis;

(e) subject to the completion of the [**REDACTED**] and the filing with the CSRC and other relevant PRC authorities for the [**REDACTED**], the granting of a general mandate to the Board to separately or concurrently [**REDACTED**] and/or transfer Shares out of treasury that are held as treasury shares at any time within a period up to the date of the conclusion of the next annual general meeting of the Shareholders or the date on which the Shareholders pass a resolution to revoke or change such mandate, whichever is earlier, upon such terms and conditions and for such purposes as the Board in their absolute discretion deem fit, provided that, the number of such Shares shall not exceed 20% of the total Shares in issue (assuming the completion of Share Subdivision and excluding any treasury shares) as of the [**REDACTED**];

(f) subject to the completion of the [**REDACTED**], the conditional adoption of the Articles of Association which shall become effective on the [**REDACTED**], and authorization to the Board to amend the Articles of Association to the extent necessary in accordance with laws, regulations and regulatory rules and requirements from relevant government bodies or regulatory authorities and for the purpose of the [**REDACTED**]; and

(g) authorization of the Board or its authorized individual(s) to handle all matters relating, among other things, to the [**REDACTED**], the issue and the [**REDACTED**] of H Shares on the Stock Exchange.

5. Restrictions on Repurchase

Please refer to "Appendix VI — Summary of Articles of Association" to this document for details of the restrictions on the shares repurchase by our Company.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contract

We have entered into the following contract (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this document that are or may be material:

(a) the [**REDACTED**].

2. Intellectual Property Rights

Trademarks

As of the Latest Practicable Date, we had registered the following trademarks which we considered to be material to our business:

No.	Trademark	Registration	Registered Owner	Place of Registration	Class	Validity Period
1 . .		69017648	Our Company	PRC	5	March 7, 2024 to March 6, 2034
2 . .	葆舒宜	66308249	Our Company	PRC	5	January 21, 2023 to January 20, 2033
3 . .	Riczyme	48415988	Our Company	PRC	5	March 21, 2021 to March 20, 2031
4 . .	瑞思赞	48439098	Our Company	PRC	5	March 21, 2021 to March 20, 2031
5 . .	瑞克赞	48435385	Our Company	PRC	5	March 21, 2021 to March 20, 2031
6 . .		47675687	Our Company	PRC	42	May 21, 2022 to May 20, 2032
7 . .		47675687	Our Company	PRC	1	May 21, 2022 to May 20, 2032
8 . .		47675687	Our Company	PRC	35	May 21, 2022 to May 20, 2032

No.	Trademark	Registration	Registered Owner	Place of Registration	Class	Validity Period
9 . .	Hysorptase	36989525	Our Company	PRC	5	November 14, 2019 to November 13, 2029
10 .	KANGJU BIOTECH	66304845	Suzhou Kangju	PRC	5	February 21, 2023 to February 20, 2033
11. .	康瑞司	37000983	Suzhou Kangju	PRC	5	January 21, 2020 to January 20, 2030
12 .	辅舒欣	36974533	Suzhou Kangju	PRC	5	November 21, 2019 to November 20, 2029
13 .	福舒悦	36980320	Suzhou Kangju	PRC	5	November 7, 2019 to November 6, 2029
14 .	辅舒悦	36980308	Suzhou Kangju	PRC	5	November 7, 2019 to November 6, 2029
15 .	福舒欣	36991559	Suzhou Kangju	PRC	5	November 14, 2019 to November 13, 2029
16 .	Cohydase	36997961	Suzhou Kangju	PRC	5	November 14, 2019 to November 13, 2029
17 .	晟育保	73171452	Suzhou Centergene	PRC	5	January 28, 2024 to January 27, 2034
18 .	济宝康	73179952	Suzhou Centergene	PRC	5	April 21, 2024 to April 20, 2034
19 .	济宝生	73169954	Suzhou Centergene	PRC	5	January 28, 2024 to January 27, 2034
20 .	晟毓佳	73188647	Suzhou Centergene	PRC	5	January 28, 2024 to January 27, 2034
21 .	晟得毓	73186042	Suzhou Centergene	PRC	5	January 28, 2024 to January 27, 2034

No.	Trademark	Registration	Registered Owner	Place of Registration	Class	Validity Period
22.	宝梦圆	73171500	Suzhou Centergene	PRC	5	February 7, 2024 to February 6, 2034
23.	晟毓娃	73188641	Suzhou Centergene	PRC	5	January 28, 2024 to January 27, 2034
24.	晟毓妥	73176438	Suzhou Centergene	PRC	5	January 28, 2024 to January 27, 2034
25.	晟毓得	73166591	Suzhou Centergene	PRC	5	January 28, 2024 to January 27, 2034
26.	晟毓多	73181908	Suzhou Centergene	PRC	5	January 28, 2024 to January 27, 2034
27.	晟多多	73166562	Suzhou Centergene	PRC	5	January 28, 2024 to January 27, 2034
28.	晟济药业	66304454	Suzhou Centergene	PRC	5	February 21, 2023 to February 20, 2033
29.	Slonva	20494250	Suzhou Centergene	PRC	5	August 21, 2017 to August 20, 2027
30.	Slonesp	20494159	Suzhou Centergene	PRC	5	August 21, 2017 to August 20, 2027
31.	晟诺娃	20494149	Suzhou Centergene	PRC	5	August 21, 2017 to August 20, 2027
32.		78788187	Our Company	PRC	5	November 21, 2024 to November 20, 2034

Patents

As of the Latest Practicable Date, save as disclosed in "Business — Intellectual Property," our Group had registered the following patents which, in the opinion of our Directors, were material to our business:

No.	Patent	Patentee	Place of Application	Application Number	Application Date	Expiry Date
1.	Anti-HER2 bispecific antibody and its application (抗HER2的雙特異性抗體及其應用)	Our Company	PRC	CN202080011381.7	February 3, 2020	February 3, 2040
2.	Anti-HER2 bispecific antibody and its application (抗HER2的雙特異性抗體及其應用)	Our Company	PRC	CN202010078527.1	February 3, 2020	February 3, 2040

Copyright

As of the Latest Practicable Date, we had registered the following copyright which we considered to be material to our business:

No.	Copyright	Place of registration	Registered owner	Type	Registration date	Registered number
1. . .	寶濟藥業	PRC	Our Company	Artistic work	November 30, 2023	國作登字-2023-F-00286651

Domain Names

As of the Latest Practicable Date, we had registered the following internet domain names which we considered to be material to our business:

No.	Domain name	Registered owner	Registration date	Expiry date
1. . .	baopharma.com	Our Company	May 26, 2018	May 26, 2029
2. . .	baopharma.com.cn	Our Company	April 10, 2020	April 10, 2029
3. . .	centergene.com	Suzhou Centergene	August 8, 2014	August 8, 2032
4. . .	centergene.com.cn	Suzhou Centergene	August 24, 2020	August 24, 2032

Save as the above, as of the Latest Practicable Date, there were no other intellectual property rights which were material to our business.

C. FURTHER INFORMATION ABOUT THE DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND SUBSTANTIAL SHAREHOLDERS

1. Particulars of Directors' and Supervisors' Service Contracts and Appointment Letters

We [have entered] into a service contract or a letter of appointment with each of the Directors and Supervisors in respect of, among others, (i) term of service, (ii) termination, (iii) compliance with the relevant laws and regulations and (iv) observance of the Articles of Association. The service contracts and letters of appointment may be renewed in accordance with the 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 the Group (other than contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

2. Remuneration of Directors and Supervisors

Save as disclosed in "Directors, Supervisors and Senior Management — Directors', Supervisors' and Senior Management's Remuneration and Remuneration of the Five Highest-paid Individuals" and Note 8 to the Accountants' Report as set out in Appendix I to this document, none of our Directors or Supervisors received other remuneration or benefits in kind from the Company in respect of the financial year of 2023 and the nine months ended September 30, 2024.

Under the arrangement currently in force, we estimate that the aggregate remuneration payable to, any benefits in kind receivable by, our Directors and Supervisors by any member of our Group in respect of the year ending December 31, 2025 is approximately RMB79.9 million.

Save as disclosed above, there is no arrangement under which any Director or Supervisor has waived or agreed to waive any remuneration or benefits in kind during the Track Record Period.

3. Disclosure of Interests

Interests and short positions of the Directors, Supervisors and Chief Executive of the Company in the Shares, underlying Shares and debentures of the Company and our associated corporations

Save as disclosed in "Substantial Shareholders" and below, immediately following the completion of the Share Subdivision and the [**REDACTED**] (assuming no exercise of the [**REDACTED**]) and the conversion of the Unlisted Shares into H Shares, so far as the Directors are aware, none of the Directors, Supervisors or chief executive of the Company will have any interest and/or short position (as applicable) in the Shares, underlying Shares or debentures of the Company or our associated corporation (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules to be notified to the Company and the Stock Exchange, once the H Shares are [**REDACTED**] on the Stock Exchange.

Name	Position	Capacity/ Nature of interest	Number and description of Shares held[1]	Approximate percentage of shareholding in the relevant type of Shares as of the Latest Practicable Date[2]	Approximate percentage of shareholding in the total share capital of the Company immediately after completion of the [REDACTED] (assuming the [REDACTED] is not exercised)[3]	Approximate percentage of shareholding in the Unlisted Shares/H Shares immediately after completion of the [REDACTED] (assuming the [REDACTED] is not exercised)[4]
Dr. Liu Yanjun (劉彥君) . . .	Chairman of the Board and executive Director	Beneficial owner	54,977,530 Unlisted Shares	32.66%	[**REDACTED**]%	[**REDACTED**]%
			6,108,615 H Shares	5.10%	[**REDACTED**]%	[**REDACTED**]%
		Interest in controlled corporation[5]	23,562,700 Unlisted Shares	14.00%	[**REDACTED**]%	[**REDACTED**]%
			10,098,300 H Shares	8.43%	[**REDACTED**]%	[**REDACTED**]%
		Interest jointly held with another person[6]	27,750,000 Unlisted Shares	16.49%	[**REDACTED**]%	[**REDACTED**]%
			9,750,000 H Shares	8.14%	[**REDACTED**]%	[**REDACTED**]%

Name	Position	Capacity/ Nature of interest	Number and description of Shares held[1]	Approximate percentage of shareholding in the relevant type of Shares as of the Latest Practicable Date[2]	Approximate percentage of shareholding in the total share capital of the Company immediately after completion of the [REDACTED] (assuming the [REDACTED] is not exercised)[3]	Approximate percentage of shareholding in the Unlisted Shares/H Shares immediately after completion of the [REDACTED] (assuming the [REDACTED] is not exercised)[4]
Ms. Wang Zheng (王徵).	Executive Director and Chief Executive Officer	Beneficial owner	20,250,000 Unlisted Shares	12.03%	[**REDACTED**]%	[**REDACTED**]%
			2,250,000 H Shares	1.88%	[**REDACTED**]%	[**REDACTED**]%
		Interest jointly held with another person[6]	86,040,230 Unlisted Shares	51.12%	[**REDACTED**]%	[**REDACTED**]%
			23,706,915 H Shares	19.80%	[**REDACTED**]%	[**REDACTED**]%
Mr. Tan Jingwei (譚靖偉) . . .	Executive Director and director of internal control	Beneficial owner	7,500,000 Unlisted Shares	4.46%	[**REDACTED**]%	[**REDACTED**]%
			7,500,000 H Shares	6.26%	[**REDACTED**]%	[**REDACTED**]%
		Interest jointly held with another person[6]	98,790,230 Unlisted Shares	58.69%	[**REDACTED**]%	[**REDACTED**]%
			18,456,915 H Shares	15.41%	[**REDACTED**]%	[**REDACTED**]%

Notes:

(1) For the avoidance of doubt, both Unlisted Shares and H Shares are ordinary Shares in the share capital of our Company, and are considered as one class of Shares. All interests stated are long positions. The number of Shares were presented based on the assumption that the Share Subdivision is completed.

(2) The calculation is based on the total number of Shares in issue as of the Latest Practicable Date, which consist of 288,069,765 Unlisted Shares among which, 119,748,850 of the Unlisted Shares will be converted into H Shares upon completion of the [**REDACTED**] after receipt of the filing notice regarding H share "Full circulation" from the CSRC.

(3) The calculation is based on the total number of [**REDACTED**] Shares in issue immediately after completion of the [**REDACTED**] (without taking into account the H Shares which may be issued upon the exercise of the [**REDACTED**]).

(4) The calculation is based on the total number of [**REDACTED**] Unlisted Shares and [**REDACTED**] H Shares in issue immediately after completion of the [**REDACTED**] (without taking into account the H Shares which may be issued upon the exercise of the [**REDACTED**]).

(5) As of the Latest Practicable Date, Dr. Liu Yanjun (劉彥君) was the executive partner of the Share Incentive Platforms, namely Shanghai Luojun, Shanghai Luoxu and Ningbo Hongsheng. As such, Dr. Liu Yanjun (劉彥君) is deemed to be interested in the 23,562,700 Unlisted Shares and 10,098,300 H Shares directly held by the Employee Incentive Platforms under the SFO. For details of the Share Incentive Platforms, see "History, Development and Corporate Structure — Share Incentive Platforms".

(6) Pursuant to the AIC Agreement entered into among the Concert Parties, the Concert Parties had confirmed and agreed that they would: (i) act in concert with respect to the matters relating to the daily operations, key matters or any other matters required to be approved by the shareholders' meetings or board meetings of the Company; (ii) consult each other and reach a consensus before voting at board meetings and/or shareholders' meetings of the Company; and (iii) in case that the Concert Parties fail to reach a consensus, vote based on Dr. Liu's opinion. As such, each of the Concert Parties are deemed to be interested in the Shares each other is interested in under the SFO. See "History, Development and Corporate Structure — Acting In Concert Agreement" for details.

Interests of substantial Shareholders

Save as disclosed above and in "Substantial Shareholders" in this document, the Directors are not aware of any other person who will, immediately following the completion of the [**REDACTED**] (assuming no exercise of the [**REDACTED**]) and the conversion of the Unlisted Shares into H Shares, have an interest and/or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the issued voting Shares in all circumstances at general meetings of the Company or any other member of the Group.

4. Agency Fees or [REDACTED] Received

The [**REDACTED**] will receive an [**REDACTED**] in connection with the [**REDACTED**], as detailed in the paragraphs headed "[**REDACTED**]" in this document. Save in connection with the [**REDACTED**], no [**REDACTED**], discounts, [**REDACTED**] or other special terms have been granted by the Group to any person (including the Directors, promoters and experts referred to in the paragraphs headed "— Other Information — Qualifications of Experts" below) in connection with the issue or sale of any capital or security of the Company or any member of the Group within the two years immediately preceding the date of this document.

Within the two years immediately preceding the date of this document, no [**REDACTED**] has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription for any share in or debentures of the Company.

5. [REDACTED] Share Incentive Plans

Our Company has adopted the Phase I Restricted Share Incentive Plan of Shanghai Bao Pharmaceuticals Co., Ltd. (上海寶濟藥業股份有限公司第一期限制性股票激勵計劃) (the "**Phase I Plan**") and Phase II Restricted Share Incentive Plan of Shanghai Bao Pharmaceuticals Co., Ltd. (上海寶濟藥業股份有限公司第二期限制性股票激勵計劃) (the "**Phase II Plan**", together with the Phase I Plan referred to as the "[**REDACTED**] **Share Incentive Plans**") on

August 16, 2023. The [**REDACTED**] Share Incentive Plans do not involve any grant of share options or awards after the [**REDACTED**] and therefore is not subject to the provisions of Chapter 17 of the Listing Rules. Given the underlying Shares under the [**REDACTED**] Share Incentive Plans have already been issued, there will not be any dilution effect to the issued Shares.

The Company has established three Share Incentive Platforms to implement the [**REDACTED**] Share Incentive Plans, namely Shanghai Luoxu for the Phase I Plan and Ningbo Hongsheng and Shanghai Luojun for the Phase II Plan. For details of the Share Incentive Platforms, please refer to "History, Development and Corporate Structure — Share Incentive Platforms" in this document. As of the Latest Practicable Date, all the underlying Shares of the awards granted under the [**REDACTED**] Share Incentive Plans have been issued to our Share Incentive Platforms. For details of the awards granted, please refer to "(g) Details of the Awards Granted Under the [**REDACTED**] Share Incentive Plans" below.

The principal terms of the [**REDACTED**] Share Incentive Plans are substantially similar and are summarized below.

(a) Objectives

The objectives of the [**REDACTED**] Share Incentive Plans are to further improve the corporate governance structure, implement incentives and constraints for the Directors, senior management and core employees of the Company, fully mobilize their enthusiasm and creativity, closely align their interests with the long-term development of the Company, prevent talent loss and, at the same time, attract more outstanding talents to participate in the business operations, thereby achieving sustainable development of the Company.

(b) Administration

The Shareholders' general meeting is responsible for considering and approving the formulation, implementation and termination of and adjustments to the [**REDACTED**] Share Incentive Plans. The Shareholders' general meeting has agreed to delegate the subsequent detailed implementation and termination of, and adjustments, amendments to, the [**REDACTED**] Share Incentive Plans to the Board.

The Board is responsible for drafting and amending the [**REDACTED**] Share Incentive Plans as its executive management body. The management team of the Company and the chairperson of the Board are authorized by the Board to perform daily management and handle matters necessary for implementing the [**REDACTED**] Share Incentive Plans in accordance with the provisions of the [**REDACTED**] Share Incentive Plans and relevant agreements.

Dr. Liu serves as the general partner of all the Share Incentive Platforms. The general partner of the Share Incentive Platforms may be changed to a person designated by Dr. Liu.

(c) Eligibility

The participants of the [**REDACTED**] Share Incentive Plans (the "**Participants**") include, but not limited to, the Directors, senior management members, core technical personnel and key management members of the Company who have a direct impact on the

Company's overall performance and continuous development, as well as other individuals who have made special contributions to the Company as determined in writing by the chairperson of the Board. The Participants shall enter into labor or employment contracts with the Company, its branch, or wholly-owned subsidiaries.

(d) Grant of Incentive Awards

The Company has established the Share Incentive Platforms, which directly hold Shares of the Company, to implement the [**REDACTED**] Share Incentive Plans. The Participant will be granted restricted Shares in the form of economic interest in the relevant Share Incentive Platforms by entering into the partnership agreement to become a limited partner of the relevant Share Incentive Platforms and accepting the terms and conditions set out in the [**REDACTED**] Share Incentive Plans (the "**Awards**"). Upon becoming the limited partners of the relevant Share Incentive Platforms, the Participant indirectly receives economic interest in the number of Shares underlying the Awards granted to the Participant held by the relevant Share Incentive Platforms.

As of the Latest Practicable Date, an aggregate of 504,329 Unlisted Shares (equivalent to 2,521,645 Shares after completion of the Share Subdivision) underlying the Awards granted under the Phase I Plan had been granted to 18 Participants and 2,982,200 Unlisted Shares (equivalent to 14,911,000 Shares after completion of the Share Subdivision) underlying the Awards granted under the Phase II Plan had been granted to 59 Participants. For further details of the interests in the Share Incentive Platforms, please refer to "History, Development and Corporate Structure — Share Incentive Platforms" in this document.

(e) Payment of the Price of the Awards

The subscription price of the Awards shall be proposed by the Company's management members, as authorized by the Shareholders' general meeting and the Board, and determined by the chairperson of the Board and specifically stated in the restricted Share grant agreements which shall be entered into between the Participants and the Company. The subscription price of the Awards shall be paid by the Participants out of their own funds or legally raised funds. The Participants shall make the corresponding payment for the Awards fully and timely.

(f) Lock-up and Vesting Periods

The lock-up period stipulated in the [**REDACTED**] Share Incentive Plans (the "**Share Incentive Lock-up Period**") refers to the period prior to the submission of application of [**REDACTED**] by the Company and certain duration following such application and the [**REDACTED**] of the Shares (for avoidance of doubt, such duration shall be determined by the lock-up period stipulated or required by the securities regulatory authority and the [**REDACTED**] for the Shares held by the Share Incentive Platforms). During the Share Incentive Lock-up Period, the Participants may not sell, pledge, transfer or otherwise dispose of or create any encumbrances or burdens on his or her interests in the relevant Share Incentive Platforms unless otherwise specified in the [**REDACTED**] Share Incentive Plans.

The Awards that cannot vest due to the Participants' failure to meet performance targets shall be subject to mandatory repurchase by the general partner of relevant Share Incentive Platforms or a third party designated by the general partner. Such repurchase shall adhere to the eligibility requirements set forth in the [**REDACTED**] Share Incentive Plans and shall be executed at a repurchase price equal to the actual amount paid by the Participants for such Awards.

(g) Details of the Awards Granted Under the [**REDACTED**] *Share Incentive Plans*

As of the Latest Practicable Date, there is an aggregate number of 61 Participants holding partnership interests in the Share Incentive Platforms, and all of the Awards under the [**REDACTED**] Share Incentive Plans have been fully granted and vested. Details of the Awards granted to Directors, Supervisors, senior management or connected person of our Company under the [**REDACTED**] Share Incentive Plans are set out below:

Name	Position	Relevant Share Incentive Platform	Approximate partnership interests in the relevant Share Incentive Platform	Approximate number of the Shares underlying the Awards granted to the Participant[(1)]	Approximate shareholding percentage underlying the Awards granted to the Participant in the total number of the Shares in issue as of the Latest Practicable Date	Approximate shareholding percentage underlying the Awards granted to the Participant in the total number of the Shares in issue immediately after the [REDACTED]
Dr. Liu Yanjun (劉彥君)[(2)] . .	Chairman of the Board and executive Director	Ningbo Hongsheng	95.33% (general partner)	4,333,084	1.50%	[**REDACTED**]%
		Shanghai Luojun	46.88% (general partner)	4,859,375	1.69%	[**REDACTED**]%
Ms. Wang Zheng (王徵).	Executive Director and Chief Executive Officer	Shanghai Luojun	14.37%	1,490,000	0.52%	[**REDACTED**]%
Mr. Tan Jingwei (譚靖偉) . . .	Executive Director and director of internal control	Shanghai Luoxu	3.01%	563,573	0.20%	[**REDACTED**]%

Name	Position	Relevant Share Incentive Platform	Approximate partnership interests in the relevant Share Incentive Platform	Approximate number of the Shares underlying the Awards granted to the Participant[(1)]	Approximate shareholding percentage underlying the Awards granted to the Participant in the total number of the Shares in issue as of the Latest Practicable Date	Approximate shareholding percentage underlying the Awards granted to the Participant in the total number of the Shares in issue immediately after the [REDACTED]
Ms. Li Cui (李翠)	Executive Director, Chief Financial Officer and secretary to the Board	Shanghai Luoxu	0.99%	185,445	0.06%	[**REDACTED**]%
		Ningbo Hongsheng	1.05%	47,695	0.02%	[**REDACTED**]%
		Shanghai Luojun	5.62%	582,500	0.20%	[**REDACTED**]%
Mr. Cheng Yu (成裕)	Supervisor	Shanghai Luoxu	0.65%	122,250	0.04%	[**REDACTED**]%
		Shanghai Luojun	1.78%	185,000	0.06%	[**REDACTED**]%
Ms. Cai Qingqing (蔡清清) . . .	Supervisor	Shanghai Luojun	0.14%	15,000	0.01%	[**REDACTED**]%
Mr. Lou Junwen (樓俊文) . . .	Chairman of the Supervisory Committee	Shanghai Luoxu	1.96%	366,750	0.13%	[**REDACTED**]%
		Ningbo Hongsheng	0.11%	4,771	0.00%	[**REDACTED**]%
		Shanghai Luojun	0.06%	6,220	0.00%	[**REDACTED**]%
Mr. Sun Yuhua (孫玉華) . . .	Deputy general manager	Shanghai Luoxu	1.30%	244,500	0.08%	[**REDACTED**]%
		Shanghai Luojun	5.02%	520,000	0.18%	[**REDACTED**]%

Name	Position	Relevant Share Incentive Platform	Approximate partnership interests in the relevant Share Incentive Platform	Approximate number of the Shares underlying the Awards granted to the Participant[(1)]	Approximate shareholding percentage underlying the Awards granted to the Participant in the total number of the Shares in issue as of the Latest Practicable Date	Approximate shareholding percentage underlying the Awards granted to the Participant in the total number of the Shares in issue immediately after the [REDACTED]
Other employees . .		Shanghai Luoxu	5.54%	1,039,125	0.36%	[**REDACTED**]%
		Ningbo Hongsheng	3.52%	159,854	0.06%	[**REDACTED**]%
		Shanghai Luojun	26.12%	2,707,500	0.94%	[**REDACTED**]%

Notes:

(1) The number of Shares underlying the Awards granted to the Participant were presented based on the assumption that the Share Subdivision is completed.

(2) The general partnership interest of approximately 86.55% in Shanghai Luoxu, held by Dr. Liu, is not associated with the [**REDACTED**] Share Incentive Plans and is not included in the total incentive awards to be distributed under the [**REDACTED**] Share Incentive Plans.

6. Disclaimers

Save as disclosed in this document:

(a) none of our Directors, Supervisors or our chief executive has any interest or short position in our Shares, underlying Shares or debentures of us or any of our 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, or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to us and the Stock Exchange pursuant to Model Code for Securities Transactions by our Directors of Listed Issuers once the H Shares are [**REDACTED**] on the Stock Exchange;

(b) none of our Directors or Supervisors is aware of any person (not being a Director, Supervisor or chief executive of our Company) who will, immediately following completion of the [**REDACTED**] and conversion of Unlisted Shares into H Shares (without taking into account any H Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**]), have an interest or short position in our Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is interested, directly or indirectly, in 10% or more of the issued voting shares of any member of our Group;

(c) none of the Directors, Supervisors nor any of the experts referred to in "Qualifications of Experts" below has any direct or indirect interest in the promotion of, or in any assets which have been, within two years immediately preceding the date of this document, acquired or disposed of by, or leased to, any member of the Group, or are proposed to be acquired or disposed of by, or leased to, any member of the Group;

(d) save in connection with the [**REDACTED**], none of the Directors, Supervisors nor any of the experts referred to in "Qualifications of Experts" below is (i) materially interested in any contract or arrangement subsisting at the date of this document which is interested legally or beneficially in any shares in any member of the Group; or (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any [**REDACTED**] in any member of the Group; and

(e) none of the Directors or their respective close associates or the Shareholders who to the knowledge of the Directors are interested in more than 5% of our issued share capital has any interest in our five largest customers or suppliers during the Track Record Period.

D. OTHER INFORMATION

1. Estate Duty

The Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

As of the Latest Practicable Date, no member of the Group was involved in any litigation, arbitration, administrative proceedings or claims of material importance, and so far as the Directors are aware, no litigation, arbitration, administrative proceedings or claims of material importance are pending or threatened against any member of the Group.

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 by the Company to the Joint Sponsors to act as sponsor to the Company in connection with the [**REDACTED**] is US$400,000 each, among which US$200,000 had been paid to each Joint Sponsor by the Company as of the Latest Practicable Date.

4. Preliminary Expense

As of the Latest Practicable Date, our Company did not incur any material preliminary expenses.

5. Promoters

The promoters of the Company are all then 42 shareholders of the Company as of July 26, 2023 before our conversion into a joint stock company with limited liability. Save as disclosed in this document, within the two years immediately preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoter of the Company in connection with the [**REDACTED**] or the related transactions described in this document.

6. Application for [REDACTED]

The Joint Sponsors have made an application on behalf of the Company to the Listing Committee of the Stock Exchange for the [**REDACTED**] of, and permission to [**REDACTED**], the H Shares to be issued as mentioned in this document (including any H Shares which may be issued pursuant to the exercise of [**REDACTED**]) and the H Shares to be converted from Unlisted Shares, on the Main Board of the Stock Exchange. All necessary arrangements have been made to enable the securities to be admitted into [**REDACTED**].

7. No Material Adverse Change

Our Directors confirm that, up to the date of this document, there has been no material adverse change in the financial or [**REDACTED**] position or prospect of our Group since September 30, 2024 (being the date to which the latest consolidated financial statements of our Group were prepared).

8. Qualifications of Experts

The qualifications of the experts who have given opinions or advice in this document are as follows:

Name	Qualification
CITIC Securities (Hong Kong) Limited	Licensed corporation to conduct Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
Haitong International Capital Limited	A corporation licensed to conduct Type 6 (advising on corporate finance) of the regulated activities as defined under the SFO

Name	Qualification
Ernst & Young	Certified Public Accountants and Registered Public Interest Entity Auditor
Beijing DeHeng Law Offices	Legal advisor to the Company as to PRC laws
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent Industry Consultant
AVISTA Valuation Advisory Limited	Independent Property Valuer

9. Consents of Experts

Each of the experts referred to in "8. Qualification of Experts" above has given and has not withdrawn its written consent to the issue of this document with the inclusion of its reports, letters or opinions (as the case may be) and the references to its name included herein in the form and context in which they are included.

As of the Latest Practicable Date, none of the experts named above had any shareholding interest in our Company or our subsidiaries or rights (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for [**REDACTED**] in any member of our Group.

10. Taxation of Holders of H Shares

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty. The current rate charged on each of the sellers and purchasers is 0.1% of the consideration or, if higher, the fair value of the H Shares being sold or transferred. For further information in relation to taxation, please refer to the section headed "Appendix IV — Taxation and Foreign Exchange" in this document.

11. Binding Effect

This document shall have the effect, if any application is made pursuant hereto, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance as far as applicable.

12. Bilingual Document

The English language and Chinese language versions of this document are being published separately in reliance upon the exemption provided by Section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

13. Miscellaneous

Save as otherwise disclosed in this document:

(a) within the two years immediately preceding the date of this document, no share or loan capital or debenture of the Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be issued for cash or as fully or partly paid-up other than in cash or otherwise;

(b) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(c) the Company or any of its subsidiaries has not issued nor agreed to issue any founder or management or deferred shares;

(d) there are no restrictions affecting the remittance of profits or repatriation of capital by us into Hong Kong from outside Hong Kong;

(e) there are no arrangements under which future dividends are waived or agreed to be waived;

(f) there have been no interruptions in our business which may have or have had a significant effect on our financial position in the 12 months preceding the date of this document;

(g) no part of the equity or debt securities of the Company, if any, is currently [**REDACTED**] on or [**REDACTED**] in on any [**REDACTED**] or [**REDACTED**] system, and no such [**REDACTED**] or permission to [**REDACTED**] on any [**REDACTED**] other than the Stock Exchange is being or is proposed to be sought;

(h) the Company has no outstanding convertible debt securities or debentures;

(i) the Company is a joint stock limited company and is subject to the PRC Company Law; and

(j) the English text of this document shall prevail over its respective Chinese text.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were:

1. the written consents referred to in "Appendix VII — Statutory and General Information — D. Other Information — 9. Consents of Experts"; and

2. a copy of the material contract referred to in "Appendix VII — Statutory and General Information — B. Further Information about our Business — 1. Summary of Material Contract."

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.baopharma.com** during a period of 14 days from the date of this document:

1. the Articles of Association;

2. the Accountants' Report prepared by Ernst & Young, the text of which is set out in Appendix I to this document;

3. the audited consolidated financial statements of our Group for the year ended December 31, 2023 and the reviewed consolidated financial statements of our Group for the nine months ended [**REDACTED**];

4. the report prepared by Ernst & Young on the unaudited [**REDACTED**] financial information of our Group, the text of which is set out in Appendix II to this document;

5. the material contract in "Appendix VII — Statutory and General Information — B. Further Information about Our Business — 1. Summary of Material Contract";

6. the written consents referred to in "Statutory and General Information — D. Other Information — 9. Consents of Experts" in Appendix VII to this document;

7. the service contracts and the letters of appointment referred to in "Appendix VII — Statutory and General Information — C. Further Information about the Directors, Supervisors, Senior Management and Substantial Shareholders — 1. Particulars of Directors' and Supervisors' Service Contracts and Appointment Letters";

8. the PRC legal opinions issued by Beijing DeHeng Law Offices, our PRC Legal Advisor, in respect of, among other things, the general corporate matters and property interests of our Group under PRC law;

9. the terms of the [**REDACTED**] Share Incentive Plans;

10. the industry report issued by Frost & Sullivan, the summary of which is set forth in "Industry Overview";

11. the Property Valuation Report prepared by AVISTA Valuation Advisory Limited, the text of which is set out in Appendix III to this document; and

12. the PRC Company Law and the Trial Measures for Overseas Listing, together with their unofficial English translations.